



PIERCE COUNTY, WASHINGTON

2015 Budget In Brief

This document is a “brief” look at the adopted 2015 Pierce County budget. We hope it will enhance your understanding of how the County is organized, the services it provides, and the funding sources used to provide those services. The budget supports the Financial Stewardship Goal of the County which is to: Prioritize, align, and manage all of the County’s financial resources to achieve the County’s vision in an effective and sustainable manner.

County Executive

Pat McCarthy

County Council

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GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
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**Pierce County
Washington**

For the Fiscal Year Beginning

January 1, 2014

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to Pierce County, Washington for its annual budget for the fiscal year beginning January 1, 2014. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, an operations guide, a financial plan, and a communications device.

This award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

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Pierce County Profile

The first settlers of the land that is now Pierce County were the ancestors of today's Nisqually, Puyallup, Squaxin, Steilacoom, and Muckleshoot Indians. These tribes settled the area many thousands of years ago, where the saltwater, lakes, and rivers made for an abundant selection of food. These same tribes were all in place when English sea captain George Vancouver sailed the inland waters as far south as what would one day be Seattle. He instructed his lieutenant, Peter Puget, to continue exploring southward in smaller boats. The inland waters were named Puget's Sound in the young naval officer's honor.

On December 22, 1852, the Territorial Legislature of Oregon determined that Thurston County, which stretched from Olympia to the Canadian border and from the Cascades to the Pacific Ocean, was far too large. In response, the Legislature portioned out of it King, Jefferson, and Pierce Counties. The Legislature also passed laws appointing the first county officers and located the county seat at Steilacoom, which was chosen largely because it was the only town in Washington with its own jail.

Pierce County became a Home Rule County by a vote of the people in 1981. The County is governed by an elected County Executive and seven elected Council members. The Prosecutor, Assessor/Treasurer, Auditor, Superior Court Judges, Sheriff, and District Court Judges are also elected by the people.

Pierce County is located on scenic Puget Sound and covers 1,794 square miles (1,676 square miles of land and 118 square miles of water). The County includes ten hospitals, seventeen public school districts, a large number of private schools, and nine colleges and universities.



Pierce County has a significant military population. Fort Lewis and McChord Air Force Base became Joint Base Lewis-McChord (JBLM)-- one of 12 joint bases worldwide. JBLM has more than 25,000 soldiers and civilian workers. The post supports over 30,000 military retirees who live within 50 miles, and more than 29,000 family members living both on and off post. Fort Lewis proper contains 86,000 acres and the Yakima Training Center covers 324,000 acres

McChord Air Force Base is home to the 62nd Airlift Wing is the active duty host wing on McChord and is joined by its Reserve partner, the 446th Airlift Wing. Together, they fly 50 C-17 Globemaster IIIs to combat zones.

Adjacent to JBLM, Camp Murray is home to the Washington National Guard and the Washington Air National Guard. The two armories at Camp Murray can be used for graduations, receptions, tournaments, youth events, potlucks, seminars, and charity events.

The County provides certain services on a countywide basis and other services only to unincorporated areas of the County. Within the appropriate jurisdictions, the County provides law enforcement, criminal detention, fire prevention, judicial administration, parks and recreation facilities, planning and zoning, road maintenance and construction, a sewage disposal system, human services, tax assessments and collections, community development, and general administrative services.

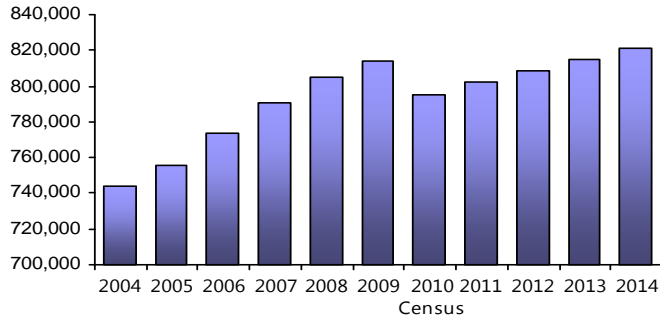


Pierce County Profile

Demographics

Population

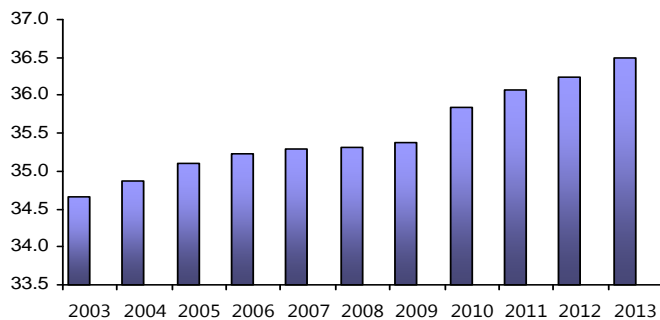
Population



Source: Office of Financial Management

Pierce County is home to an estimated 821,300 people, the second largest county in Washington. Approximately 53% of Pierce County residents live in cities and towns. The four largest cities are Tacoma (200,900), Lakewood (58,360), Puyallup (38,670), and University Place (31,420). Joint Base Lewis-McChord (JBLM) was formally established as one of 12 joint bases worldwide in October 2010. The base supports more than 60,000 family members who live on and off base, as well as almost 30,000 military retirees who live within 50 miles.

Median Age

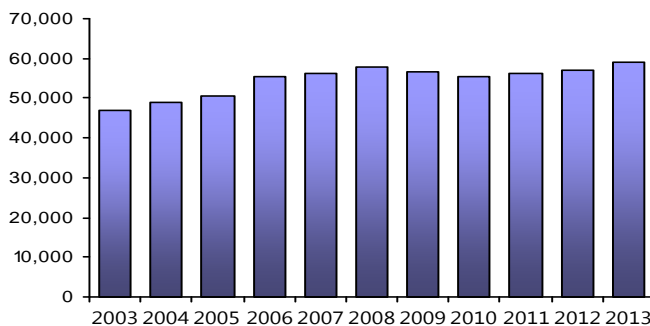


Source: Office of Financial Management

Age

Pierce County is getting older. In the last decade the median age has increased 5.3%. From 2012 the average increased 0.69%.

Median Household Income



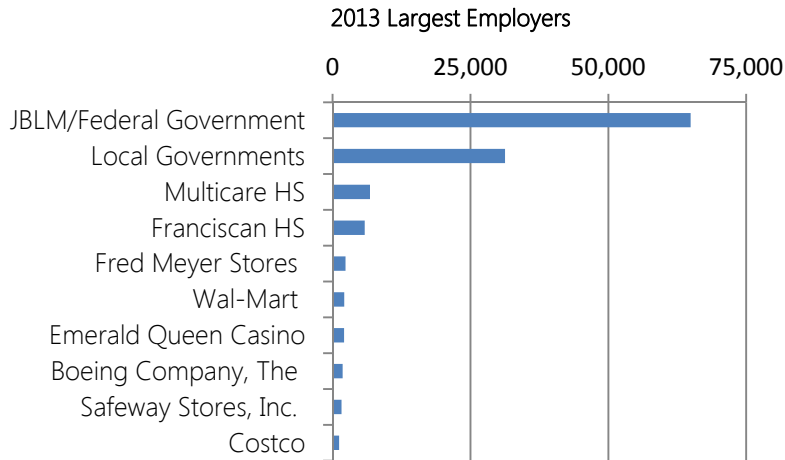
Source: Office of Financial Management

Income

In 2013 median income for Pierce County residents exceeded the pre-recession high of \$57,674 by 2.7%.

Pierce County Profile

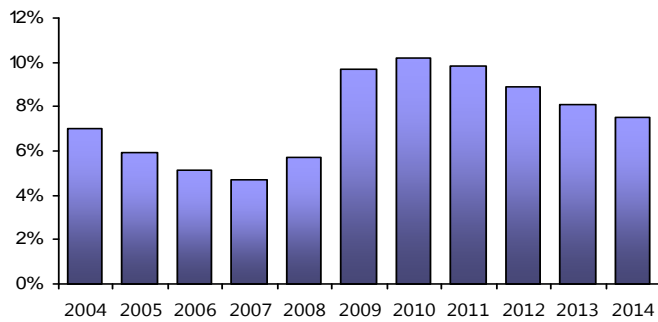
Economic Conditions



Employment

The U.S. Bureau of Labor Statistics reported Pierce County's average employment in 2013 was 350,240 employees per month. Government employers employed 27.5% of total employees. The next largest sector of employers is healthcare which added 3.6% of total employed. Listed in the chart to the left are the top 10 employers in 2013.

Unemployment Rate

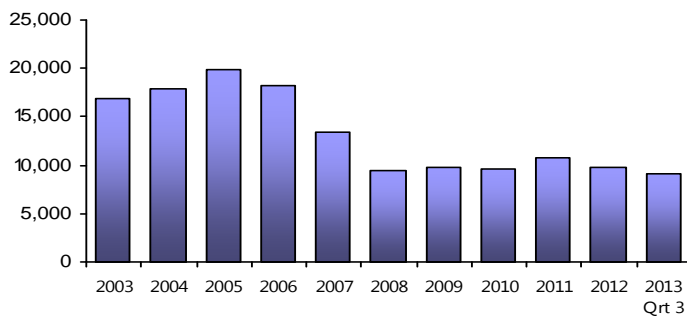


Source: Washington LMEA

Unemployment Rate

The 10-year unemployment rate in Pierce County ranged from a low of 4.7% in 2007 to a high of 10.2% in 2010. As of April 2014, the rate has declined from an average of 8.9% to 7.5% over the same period in 2013. Washington State's unemployment rate stood at 6.7% while King County was 5.0%.

Annual Existing Home Sales



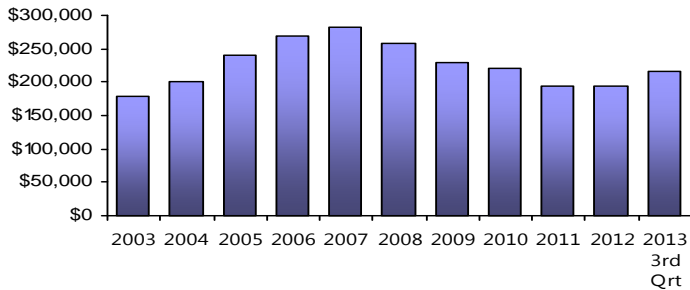
Source: Washington Center for Real Estate Research

Real Estate Activity

The seasonally adjusted existing home sales for the third quarter of 2013 were 26.6% greater than the third quarter of 2012. The chart reflects complete years prior to 2013 and available data through the 3rd quarter of 2013.

Pierce County Profile

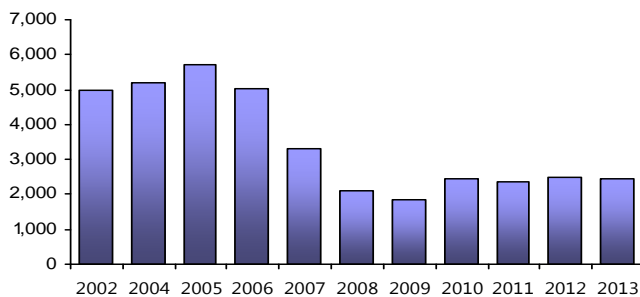
Annual Median Home Price



Source: Washington Center for Real Estate Research

The Washington Center for Real Estate Research's housing affordability index for Pierce County as of the 4th quarter of 2013 is 173.5, which is 16.1% better than the state average of 149.4. In 2013 Pierce County experienced an increase in the median home price of 10.7% from 2012. This level of increase has not been seen since the 2006 increase from 2005 which was 12.5%.

Annual Residential Permits

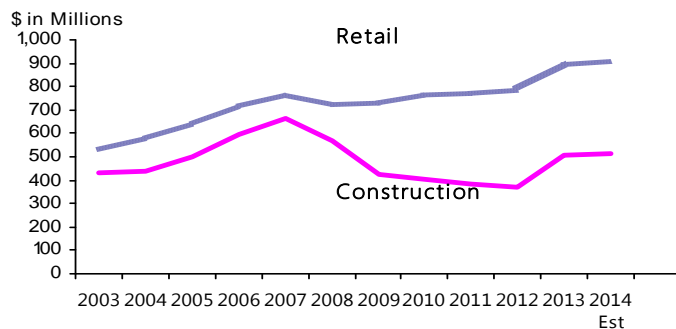


Source: Pierce County Planning and Land Services

Residential Permits

Residential permit activity may have hit bottom at 1,841 in 2009. In 2013, residential permits were unchanged from 2012.

Retail and Construction Taxable Sales



Unincorporated Pierce County. Source: Department of Revenue.

NAICS Construction codes 23X and Retail codes 440-459.

Taxable Sales

In 2013 retail trade and construction contributed about 63% of Pierce County's sales and use tax receipts. In 2013 total taxable Retail Sales increased by 16.8% from 2012. Retail sales, NAIC 440-459, increased by 13.6% and construction, NAIC 23X, increased by 36.0%.

Pierce County Profile

Port of Tacoma's year-to-date (YTD) cargo statistics through July 2014:

	2013	2014	% Change
Foreign containers	818,285	902,133	10.2%
Domestic containers	259,816	264,991	2.0%
Total containers (TEUs)*	1,078,101	1,167,123	8.3%

* TEUs = 20-foot equivalent units

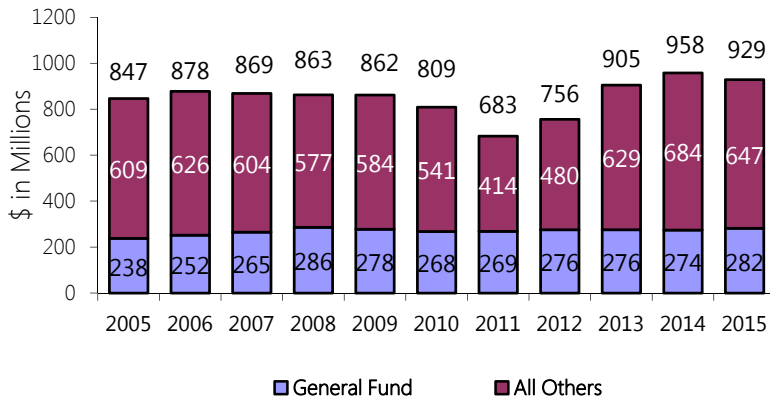
Port Facilities

A major gateway to Asia and Alaska, the Port of Tacoma is a leading North American seaport, the seventh largest container port in North America. Located on Commencement Bay, a natural, deep-water harbor in south Puget Sound, the Port has 2,400 acres used primarily for shipping terminal activity, warehousing, distributing, and manufacturing. The Port of Tacoma is an independent municipal corporation created by Pierce County citizens in 1918 and authorized to operate under state-enabling legislation.

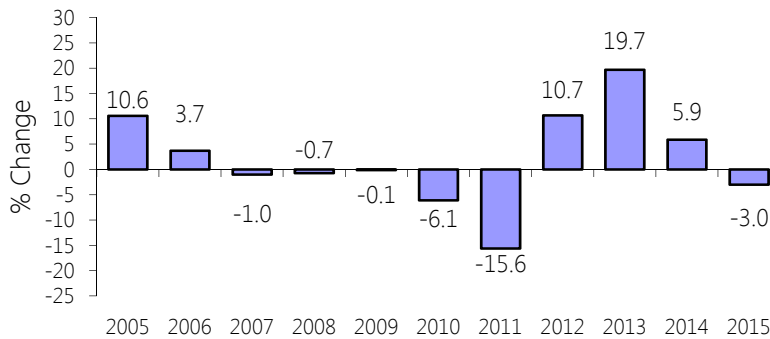
Pierce County Profile

Budget and Tax History

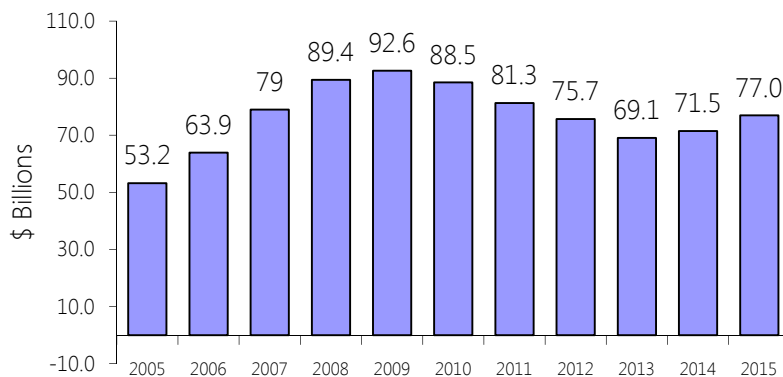
Total Budget



Total Budget Percent Change



Total Assessed Valuation



Budget History

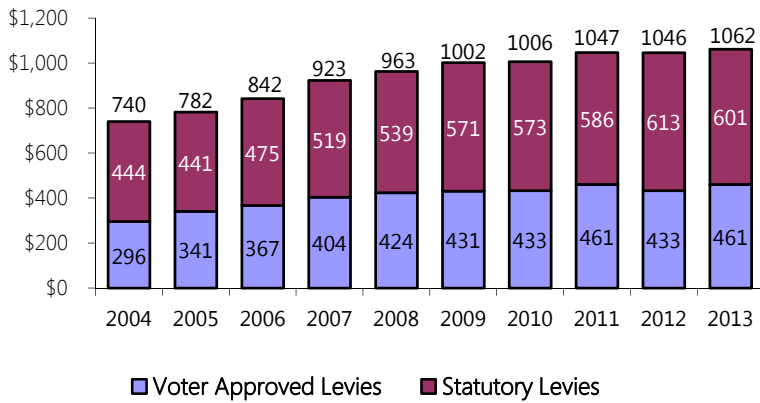
Pierce County's budget history over the last 10 years for both the General Fund and the Total County are shown in the table to the left. Since 2011, the General Fund has declined as a percentage of the total budget from 39.4% in 2011 to 27.7% in 2014, a decrease of 29.6%. This is due to the level of major construction activity, the issuance of bonds (or bond refinancing), and the limitation of property tax increasing at an annual rate of 1% plus the value of new construction. More detail on budget changes are presented later in this document.

Property Taxes

Property tax is the largest source of revenue in the General Fund and is a major source of revenue for the Road Fund. The Assessor-Treasurer values and provides information on approximately 1,080,000 acres of land in Pierce County. Of this total, 51% is taxable acreage, the remaining being exempt under state law.

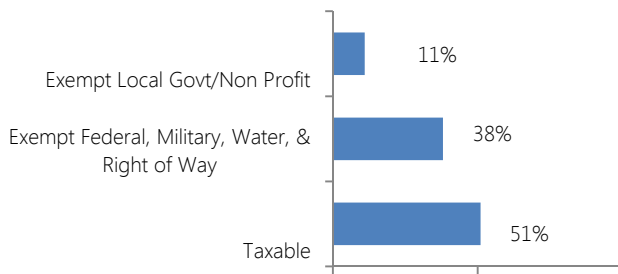
Pierce County Profile

Voter Approved and Statutory Property Taxes



In addition to the statutory levies implemented through state legislation, local levies are imposed through a vote of the people. These are typically for school and fire districts. On average 43% of the total taxes levied over the last nine years have been voter approved.

Pierce County Acreage Exemption Status



The growth in Property Tax revenue is dependent upon both the assessed valuation and the tax rate and is capped at a 1% increase from collections in the prior year plus the value of new construction in the current year. The County's assessed valuation total will increase next year, from \$71.5 billion to \$75 billion. This results in an assessed value increase of \$3.5 billion for existing property, with \$1.06 billion in growth due to new construction.

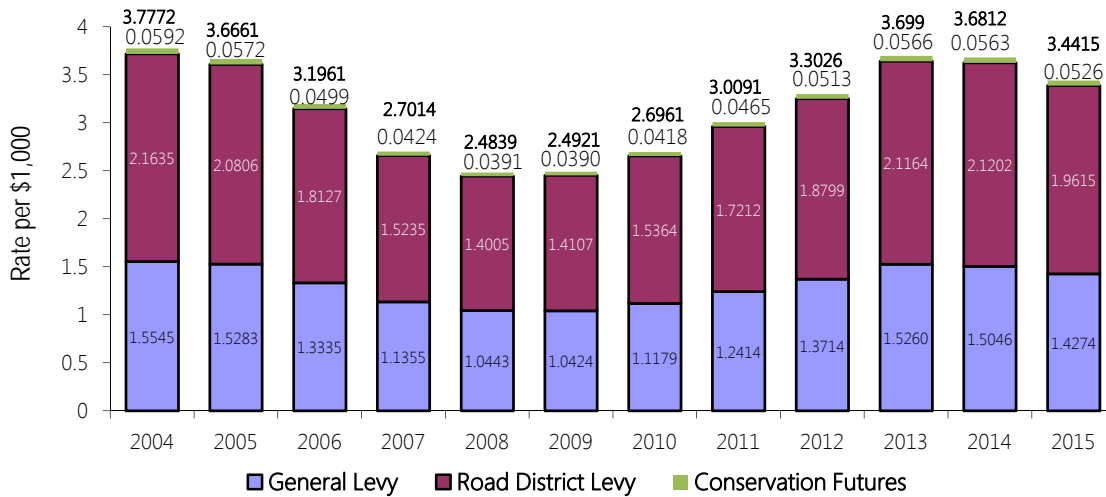
Of the total Pierce County acreage 49% is tax exempt. Federal and military lands, major lakes, and local Right-of-Way make up 38% of the exempted properties. Eleven percent is local government and non-profits (mostly schools and churches).

Pierce County Profile

Levy Rates

Levy rates determine the amount of tax that a property owner pays per \$1,000 of assessed value. State law limits the maximum growth in property tax revenues from existing property to the lesser of 1% or the percentage increase in the Implicit Price Deflator (IPD). This limitation on property tax revenue growth coupled with an inflationary increase in existing property revaluations had resulted in a major decline in rates since the law was enacted. The recent decrease in the valuation of existing property has now resulted in tax rate increases for 2009 – 2014. The Combined Property Tax Millages chart presents historical and comparative detailed rate information.

Combined Property Tax Millages



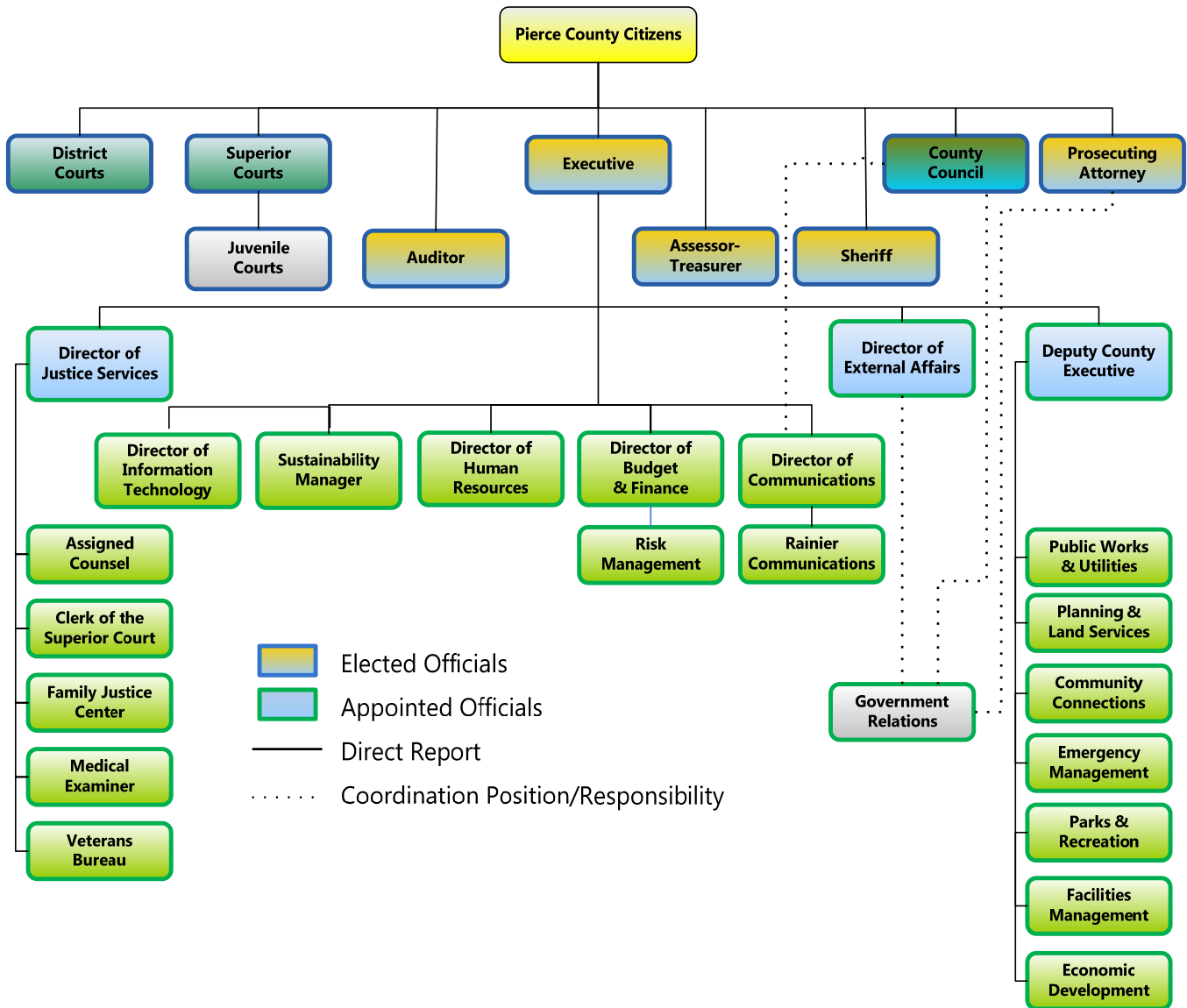
PROPERTY TAX LEVIES				
	2014		2015	
	Tax Rate ¹	Revenue	Tax Rate ¹	Revenue
		Assessed Value: \$71,547,746,398	Assessed Value: \$77,353,617,531	
A. County Levy (\$1.80 maximum)				
General Fund	\$ 1.4673	\$ 104,982,298	\$ 1.3889	\$ 107,401,410
Administrative Refund RCW 84.69	0.0067	480,927	0.0071	559,678
Sub Total General Fund	1.4740	105,463,225	1.3960	107,961,088
Veterans' Relief	0.0095	680,090	0.0113	882,100
Social Services	0.0211	1,509,490	0.0201	1,546,220
Total County Levy	1.5046	107,652,805	1.4274	110,389,408
B. Conservation Futures (\$.0625 Maximum)				
	0.0563	4,029,110	0.0526	4,128,500
		Assessed Value: \$30,076,330,634	Assessed Value: \$32,849,229,089	
C. Road District Levy (\$2.25 Maximum)				
Allocated to Road Fund	1.7008	51,153,510	1.5743	52,398,860
Law Enforcement Levy	0.4141	12,454,440	0.3833	12,757,640
Administrative Refund RCW 84.69	0.0053	159,606	0.0039	129,799
Total Road District Levy	2.1202	63,767,556	1.9615	65,286,299
TOTAL COUNTY TAX LEVIES		\$ 3.6812	\$ 3.4415	\$ 179,804,207

¹Tax rates are applied to each \$1,000 of assessed value.

Pierce County Profile

Organization Chart

Pierce County's home rule charter was approved by the voters in November 1980 and became effective on May 1, 1981. The charter separated executive and legislative responsibilities by establishing the position of Executive to serve as the chief executive officer and a seven-member County Council to serve as the legislative branch.



Vision, Mission, Values, Strategic Perspectives and Performance Measures

Prior to 2009, County departments identified performance measures that were significant to their operations and presented those measures in the annual budget document. These measures were classified as “workload service indicators” or as “budget performance measures,” depending on the available data and desired outcomes. The Budget and Finance Department conducted quarterly reviews of these performance measures, but the measures were not widely published outside the budget document.

Beginning in 2009, County Executive McCarthy initiated a countywide discussion of strategic planning in general, and more specifically, the approach used by Malcolm Baldrige Quality Award winning organizations. This discussion resulted in two initiatives – one, the development of a Pierce County strategic plan based on the Baldrige criteria, and two, a comprehensive review of existing Pierce County performance measures with an eye toward improving outcomes through better performance management.

In 2013, a core sponsor team took a look at the County’s strategic plan to evaluate strengths and opportunities for improvement. This work led to a comprehensive review of our historical work. The core sponsor team with direction from the County Executive worked to fine tune the County’s Vision and Mission statements to more clearly make the connection to the work we do each day, refine the number of Strategic Objectives, and reaffirm our County’s values.

- Vision:** A livable Pierce County where people choose to live, work, and play.
- Mission:** Pierce County delivers essential, customer-focused government services with innovation and passion.
- Values:**
- Integrity** – Open, ethical, honest, and fair in all we do and words and deeds match up.
 - Teamwork** – Cooperative effort by a group or team.
 - Respect** – Show regard or consideration for someone’s rights or opinion, a variety of cultures/lifestyles.
 - Innovation** – Thinking outside the box – trying better ways to accomplish a goal.
 - Public Service** – Focus on providing customer service and action as good stewards of public resources.

Vision, Mission, Values, Strategic Perspectives and Performance Measures

Strategic Objectives

Public Service – Understand our customers’ and stakeholders’ needs and expectations and enthusiastically deliver essential County services.

Strategic Objectives

- Increase customer satisfaction
 - *Initiative:*
 1. Conduct a satisfaction survey of County customers to identify needs and develop action plans to meet those needs.
- Increase Partnerships
 - *Initiative:*
 1. Provide support for Pierce County Farmers and Community Gardens.
 2. Support agri-tourism by facilitating farm business development and permitting.
 3. Development of the Comprehensive Emergency Recovery Plan and Long Term Recovery Task Force.
 4. Support the USGA and the community in conducting a successful U.S. Open Championship at Chambers Bay.
 5. Reformat Land Use Advisory Committees to provide more public service opportunities and higher levels of civic engagement.

Financial Stewardship – Prioritize, align and manage all of the County’s financial resources to achieve the County’s vision in an efficient, effective, and sustainable manner.

Strategic Objectives

- Improve Resource Allocation Decisions
 - *Initiative:*
 1. Develop performance measures to guide annual budget investment decisions.
 2. Evaluate effectiveness of the Technology Investment Board.
- Leverage Resources to Increase Capacity
 - *Initiative:*
 1. Engage Law and Justice Programs to identify efficiency and effectiveness improvements, particularly with a reconfiguration of County City Building tenants and other facility reconfigurations.

Vision, Mission, Values, Strategic Perspectives and Performance Measures

Strategic Objectives

Service Delivery – Identify and optimize processes, tools, and teams to deliver high quality and efficient services.

Strategic Objectives

- Improve Strategic Planning
 - *Initiative:*
 1. Implement County Balanced Scorecard Communication Plan.
- Improve Service Delivery
 - *Initiative:*
 1. Improve service delivery with a new campus model General Services Building.
 2. Develop a comprehensive strategy to address mental health issues in the County.
 3. Implement recommendations from the County Council's Performance Audit Study for Information Technology in the areas of governance, service delivery and cost allocation.
- Increase Use of Tools
 - *Initiative:*
 1. Improve the County's Data Center model.
 2. Improve the County's financial system.
 3. Develop asset management systems for all significant County assets.

Organizational Capacity – Attract, deploy, develop, retain, and equip a diverse and talented workforce to continually deliver innovative and responsive services.

Strategic Objectives

- Increase Workforce Knowledge
 - *Initiative:*
 1. Conduct an Employee Engagement Survey.
- Strengthen Workforce Safety and Wellness programs
 - *Initiative:*
 1. Implement an incentive-based employee safety and wellness program.

Vision, Mission, Values, Strategic Perspectives and Performance Measures

Performance Measures Develop performance measures for each department or fund budget as appropriate. These measures are specific and quantifiable statements of what major items will be accomplished in this fiscal year and are listed in each department section in the 2015 budget document.

County Balanced Scorecard In 2013, the County began developing an online reporting tool to report department performance measures, including how these measures reflect the County Executive's Goals. The online reporting system is currently being used internally by County Departments.

The online system provides users with information about how a department is performing in relation to the County Executives' strategic objectives and measure progress towards achieving a department's performance targets.

Financial Overview

County Executive Message

One of our most important tasks of the County is to develop, adopt, and implement a fiscally sustainable budget for accomplishing the goals of the County for the upcoming year. The vision of Pierce County's Executive Branch is "A livable Pierce County where people choose to live, work, and play." The 2015 budget achieves this vision by providing resources to deliver essential customer-focused services that enhance our community.

The budget provides resources to ensure we have a responsive County government that provides high levels of service. The budget maintains the sound financial position of the County by balancing expenditures against available resources.

The budget builds upon the efficiencies the County implemented during the recent recessionary years. The resizing of County government has resulted in more streamlined operations delivering efficient and effective services. The budget continues this new norm by investing in key services that foster economic growth. For example, dedicated resources are provided to ensure that building permits are issued in a timely manner and that utility services are ready to meet the demands of a County that is once again growing. The budget continues to allocate resources to foster the growth of our aerospace and agricultural sectors, which create jobs and strengthen community ties. Additional funding is included in the budget of the Economic Development Department to assist with aerospace recruitments. The budget also provides funding to support the plans for a Law School at the University of Washington-Tacoma. The budget invests revenues generated from the 2015 U.S. Open Championship to ensure the success of this prestigious event at the County's Chambers Bay Golf Course, which promises to showcase the Pierce County region before a global audience. Other U.S. Open venues report a significant increase in visitors for years after the Championship is played.

All of these investments foster an expanding economy that provides the revenue to support the highest priority of the County – public safety. The 2015 budget continues to allocate 80.0% of the General Fund budget to public safety and legal and judicial service.

The General Fund budget for 2015 totals \$281.8 million. This is \$8.2 million higher, or 3.0% above the 2014 level. The total County budget for 2015 is \$928.7 million, which is \$56.4 million lower than 2014, primarily because of lower expenditures for the multi-year expansion of the sewer treatment plant.

In response to a key recommendation of the 2014 Performance Audit on Jail Operations, the budget for the Corrections Bureau includes funds for an additional eight Correctional Officers to cover relief factor posts and significantly reduce overtime.

The budget also allocates new resources to address the mental health and substance abuse problems in our community. Based upon the study of the mental health issues confronting the County's criminal justice system, the budget includes resources to fund two additional District Court Probation Officers to assist with the reentry of individuals with mental health illnesses back into the community. Juvenile Court is receiving one additional Probation Officer to specifically work with youth with mental health conditions. Resources are provided to Superior Court for a grant-funded Drug Court Coordinator and reinstating Pro Tem services for 2015. Funds are also included in the budget to support one more Safe Streets position for the Parkland area. This position will be housed at the new Sheriff's precinct in Parkland.

Through an increase in the allocation of designated property tax revenue, further resources are provided to the Veterans Bureau for an expansion of services with an emphasis on assistance to veterans who are transitioning from incarceration in the Pierce County Jail back into the community.

Financial Overview

In order to address workload levels, the budget provides funds for the Medical Examiner to hire one additional Investigator. Resources are included in the Planning and Land Services Department budget to support implementation of the property abatement program of the County. Funds are also provided to the Department to support public engagement in the development of the 2015 Comprehensive Plan update and changes to the Sub Area Community Plans.

The budget sets aside resources for the Auditor's Office to help address the variable costs of the election cycles of odd and even years. To ensure the timely completion of property valuations, additional resources are provided to the Assessor-Treasurer's Office for appraisals.

To continue building upon the success of the County's Balanced Scorecard management program, one additional position is placed in the Budget and Finance Department to focus upon the development, monitoring, and analysis of the performance of County departments.

The budget for the Parks and Recreation Department includes additional funding to maintain existing parks and facilities.

Reflective of the continued positive economic outlook, the 2015 budget provides for a 2.0% salary increase for County employees on January 1st and a second 1.0% increase on June 22nd - for a net annual increase of 2.5%. The budget also includes resources to cover rising health care and pension costs for County employees.

Further resources are provided to the Sewer Utility to operate the Chambers Creek Regional Wastewater Treatment Plant. And, positions are added to the Surface Water Management Division to apply for grants and complete construction inspections.

A highlight of the 2015 capital budget is the allocation of funds to continue planning for the future of the County-City Building and the Justice Center campus. These plans correspond with the design work on the new general services building.

GENERAL FUND

As the name implies, this is the fund that receives undesignated revenues which can be budgeted for any appropriate County purpose. This fund finances the majority of the traditional services associated with County government.

A. GENERAL FUND REVENUES

A more detailed listing of General Fund revenues is presented in the General Overview section of this budget document. A summary of the 2015 revenues, with a comparison to the current year, is shown in the table below.

Financial Overview

GENERAL FUND REVENUE SUMMARY				
	2014 Budget	2015 Budget	Absolute Change	Percent Change
Property Taxes	\$ 118,354,000	\$ 121,177,620	\$ 2,823,620	2.4 %
Sales Taxes	57,843,500	66,248,900	8,405,400	14.5
Other Taxes	12,851,650	12,557,540	(294,110)	(2.3)
Licenses and Permits	4,888,890	5,011,580	122,690	2.5
Intergovernmental Revenue	34,238,263	33,245,700	(992,563)	(2.9)
Charges for Services	30,729,742	30,190,210	(539,532)	(1.8)
Fines and Forfeitures	5,640,790	5,599,070	(41,720)	(0.7)
Interest Revenue	2,456,730	2,122,100	(334,630)	(13.6)
Other Miscellaneous Revenue	2,587,040	2,418,580	(168,460)	(6.5)
Subtotal Revenues	\$ 269,590,605	\$ 278,571,300	\$ 8,980,695	3.3 %
Transfer In	3,974,850	3,191,700	(783,150)	(19.7)
Total Available Resources	\$ 273,565,455	\$ 281,763,000	\$ 8,197,545	3.0 %

Our revenue projections are based largely upon the following assumptions:

1. Revenue growth will be similar to 2014, increasing moderately throughout 2015.
2. Inflation will be moderate in 2015, thus providing an increase in some sales taxes.
3. Short term interest rates will remain at low levels throughout 2015.
4. Contract revenues for several major services (principally jail operations) will be at lower levels than in prior years.
5. New construction will be at similar levels as in 2013 and 2014.
6. Sales tax revenues will continue to increase, but at a reduced rate.

Based upon the above assumptions, General Fund revenues are assumed to increase by 3.0% above the 2014 budget level.

The following summarizes the changes in each major category of revenue:

- ❖ **Property Tax** revenue collections are projected to increase by 2.4% in 2015. This increase is based upon three factors. The first is the 1% growth available under state law. The second is the growth resulting from new construction and improvements (which is greater than prior years), and third, the administrative adjustments made for 2015 collections.
- ❖ **Sales Tax** revenues are projected to increase by 14.5% from the 2014 budget. This increase is primarily associated with an increase in retail and construction related sales tax collections.
- ❖ **Other Taxes** revenue is projected to decrease by 2.3%. This decrease is mostly due to default penalties on Property Tax.
- ❖ **Licenses and Permits** revenues are projected to increase 2.5%.
- ❖ **Intergovernmental Revenues** reflect a 2.9% reduction, due mostly to projected decreases in federal and state grants.
- ❖ **Charges for Services** are estimated to be 1.8% below 2014. This change is comprised of many increases or decreases in specific revenue sources (recording fees, planning fees, indirect cost charges, election reimbursements, etc.).

Financial Overview

- ❖ **Fines and Forfeitures** are projected to be 0.7% below the 2014 budget.
- ❖ **Interest Revenues** are projected to decline by 13.6% in 2015, reflecting the continuing low interest rates.
- ❖ **Miscellaneous Revenues** are projected to decrease by 6.5% in 2015, largely due to a decrease in transfers from other accounts.
- ❖ No **Unassigned Fund Balance** is being allocated in the 2015 budget.

Overall the percentage change in total resources available for 2015 General Fund expenditures is 3.0% higher than the 2014 budget.

Percent Change in General Fund Revenues

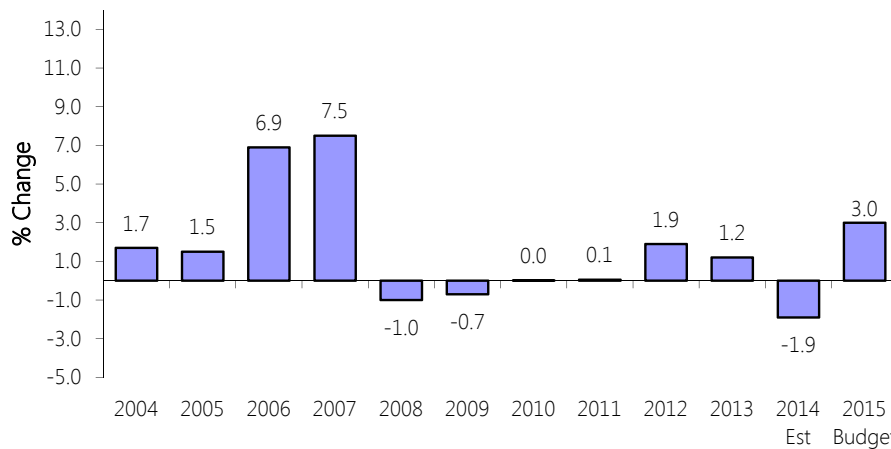


Figure 1

Comparative revenue changes for the last decade are shown in Figure 1. The decrease of 1.9% in 2014 reflects the loss of jail contracts at the County's regional jail, and realigning building permit fees to a special revenue fund. Without these two changes, General Fund revenues would reflect a modest increase of 3.3% in 2014.

Property Tax Limit – In addition to the general state of the economy, the growth in taxes from existing property has been limited to only 1% per year since 2002. This threshold is below the rate of inflation and has placed limitations on the County budget.

B. GENERAL FUND EXPENDITURES

The Expenditure tables that follow summarize the 2015 General Fund expenditure budget, and compare it with the 2014 budget. The first table presents the General Fund according to functional category, while the second table lists each department budget.

As indicated in the Expenditures by Function table, the combined total percentage allocated to Public Safety and Legal and Judicial Services is approximately 80.0% of the budget. The increase in the 2015 General Fund budget allocated to Public Safety is \$3.1 million, while Legal and Judicial Services show an increase of \$3.5 million. Public Safety and Legal and Judicial functions of the County continue to receive the highest percentage of General Fund expenditures in 2015.

Financial Overview

As shown in the Department Expenditures listing, most departments show an increase in spending authority in 2015. Emergency Management decreases reflect reductions in grant funding. The Miscellaneous Current Expense increase is reflective of one-time increases in sales tax associated with the 2015 U.S. Open.

The percentage change in a particular department budget as shown on the next page may not always be an indication of the extent to which that department's real inflation adjusted resources are growing (or decreasing) from the prior year.

The "Budget Highlights" section in each department budget provides a more detailed explanation of the significant changes included in the 2015 budget.

GENERAL FUND EXPENDITURES BY FUNCTION

	2014 Budget	2015 Budget	Absolute Change	Percent Change
General Government	\$ 34,947,872	\$ 35,845,230	\$ 897,358	2.6 %
Public Safety	138,495,110	141,589,280	3,094,170	2.2
Physical Environment	1,880,660	1,944,650	63,990	3.4
Legal & Judicial	77,005,323	80,496,600	3,491,277	4.5
Economic Environment	6,355,670	6,015,600	(340,070)	(5.4)
Mental/Physical Health	2,812,300	2,762,300	(50,000)	(1.8)
Cultural & Recreation	7,033,930	7,399,350	365,420	5.2
Public Works & Utilities	110,000	—	(110,000)	(100.0)
Transfer Out	4,924,590	5,709,990	785,400	15.9
Total General Fund	\$ 273,565,455	\$ 281,763,000	\$ 8,197,545	3.0 %

Financial Overview

GENERAL FUND EXPENDITURES BY DEPARTMENT

	2014 Budget	2015 Budget	Absolute Change	Percent Change
Assessor/Treasurer	\$ 9,974,440	\$ 10,313,110	\$ 338,670	3.4 %
Assigned Counsel	16,912,000	17,038,950	126,950	0.8
Auditor	9,631,262	9,945,870	314,608	3.3
Bond Debt Service	420,490	420,200	(290)	(0.1)
Budget & Finance	5,076,670	5,308,810	232,140	4.6
Capital Improvement Projects	50,000	100,000	50,000	100.0
Clerk	5,366,770	5,452,616	85,846	1.6
Communications	585,790	648,370	62,580	10.7
Corrections Bureau	48,319,490	49,248,380	928,890	1.9
County Council	4,140,320	4,291,690	151,370	3.7
County Executive	1,420,600	1,439,390	18,790	1.3
District Court	12,509,510	13,095,510	586,000	4.7
Economic Development	1,225,450	1,358,860	133,410	10.9
Emergency Management	4,446,220	3,481,990	(964,230)	(21.7)
Health Services	2,537,670	2,537,670	—	—
Human Resources	3,107,120	3,255,720	148,600	4.8
Juvenile	19,335,020	20,199,064	864,044	4.5
Medical Examiner	3,042,570	3,057,690	15,120	0.5
Miscellaneous Current Expense	3,769,600	4,002,460	232,860	6.2
Parks and Recreation Services	6,683,890	7,009,290	325,400	4.9
Planning and Land Services	4,743,230	4,337,870	(405,360)	(8.5)
Prevention Services & Programs	1,627,760	1,768,470	140,710	8.6
Prosecuting Attorney	28,553,693	29,565,460	1,011,767	3.5
Sheriff	63,178,510	65,729,800	2,551,290	4.0
Special Projects	1,804,530	1,820,540	16,010	0.9
State Auditor	173,210	167,500	(5,710)	(3.3)
Superior Court	14,584,600	15,809,160	1,224,560	8.4
WSU PC Extension	345,040	358,560	13,520	3.9
Total General Fund	\$ 273,565,455	\$ 281,763,000	\$ 8,197,545	3.0 %

C. 2015 MAJOR CHANGES

Corrections Bureau

The Corrections Bureau operates the County's Regional Jail which houses both felony and misdemeanor inmates. As a regional jail, the County must house felony inmates from both unincorporated and incorporated locations. The costs of these inmates are borne by the County. Under state law, the County can charge incorporated jurisdictions for misdemeanor inmates. In 2013, the County's two largest cities chose not to house most of their misdemeanor inmates at the County Jail. The result was a revenue reduction of approximately \$5 million in 2013 and \$7.2 million in 2014. In response, the Corrections Bureau reduced costs to address the loss of revenues and another \$2 million in General Fund resources were provided to the Bureau in both 2013 and 2014. The 2015 budget for the Corrections Bureau includes funds for an additional eight Correctional Officers to cover relief factor posts and significantly reduce overtime. The budget also assumes a continuing decrease in contract revenue.

Financial Overview

Staffing

After several years of reductions, the 2015 budget targets some additional positions to meet growing service demands. Between 2009 and 2015, staffing reductions in the General Fund now total 311 (15.1%). Overall the County has seen a reduction of 410 (12.1%) full time equivalent (FTE) staff during this time period. In addition, the 2015 budget includes resources for a cost of living adjustment and increases for health care, pension, and workers compensation costs.

Other

1. Many departments had grants or service contracts in 2014 which are not renewed in 2015, or vice versa.
2. Several departments had other items in 2014 which are not present in 2015, such as capital equipment purchases or one-time projects.
3. Annual "fixed costs," such as insurance, information technology, or space rental change in 2015.

The "Budget Highlights" section in each department budget provides a more detailed explanation of the significant changes included in the 2015 budget.

OVERVIEW

Based upon the following key factors, the 2015 General Fund budget is 3.0%, or \$8.2 million, higher than the 2014 budget:

Revenue

- ❖ Overall increase in General Fund revenues.
- ❖ Limited growth in property tax revenue.
- ❖ Increase in total sales tax revenue, primarily because of increases in retail and construction related collections.
- ❖ Decline in revenue expected from the direct purchase of services provided by the County, primarily jail services for local governments and the state.
- ❖ Decline in interest revenue because of continued low investment rates.
- ❖ Decline in intergovernmental revenue from lower grant allocations. Grants total \$13,654,020.

Expenditures

- ❖ Overall increase in General Fund expenditures balanced with available revenue.
- ❖ The budget also maintains more than a 10% undesignated General Fund balance, along with adequate balances for internal services funds.

D. FUND BALANCE

Figures 2 and 3 present the actual financial results for the General Fund during the 2004-2015 period, and the budgeted amounts for 2004-2015. As indicated in Figure 2, the trend through most of the decade has been mixed. A strong economy produced favorable financial results through 2007. However, the actual results for 2008, 2009, and 2010 reflect a much different environment, with deficits in those years. The 2011 budget included a \$788,000 use of fund balance (\$400,000 was assigned fund balance) and the 2012 budget included \$321,000 use of assigned fund balance. The 2013 budget included a \$180,000 use of assigned fund balance. However, the 2014 and 2015 budgets do not include the use of any general fund balances.

Financial Overview

Based upon estimated revenues and expenditures, the 2014 unassigned General Fund balance will be approximately \$42.7 million (see Figure 3). It is the County's policy to maintain a fund balance for emergency and working capital purposes which is 10% of the budget (with a long-term goal of 15%). The County has been able to maintain this 10% level in recent years and expects to again be above the 10% threshold in 2015 (see Figure 4).

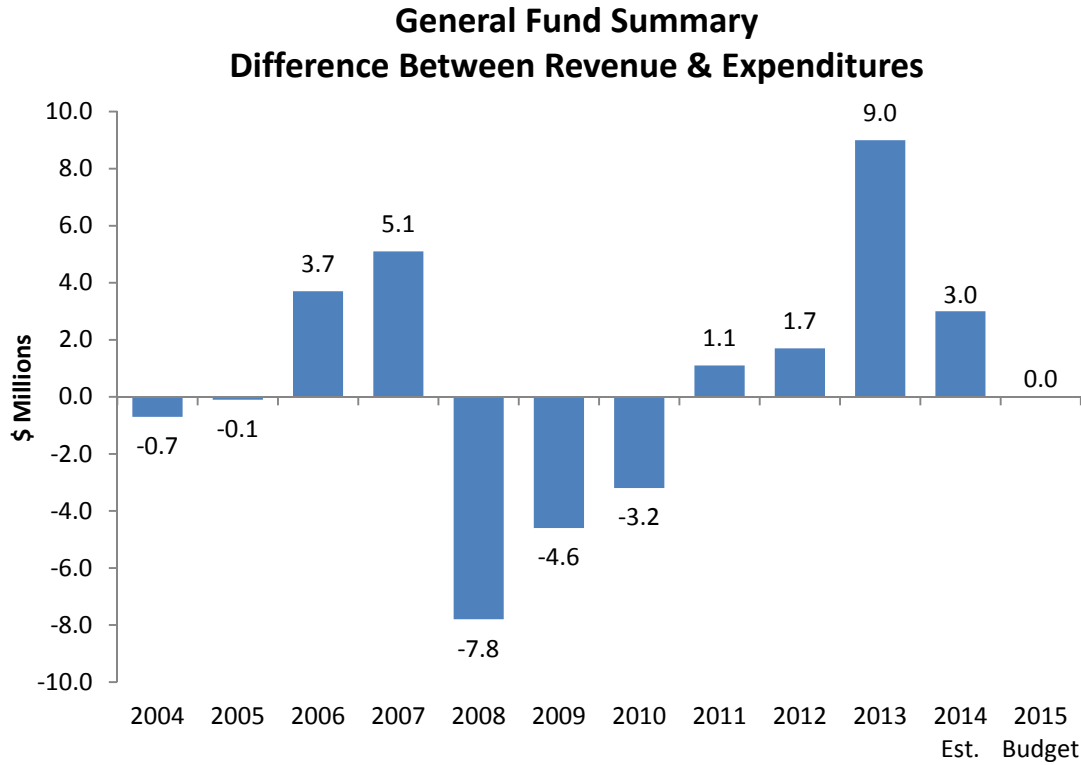


Figure 2

Financial Overview

Unassigned General Fund Balance

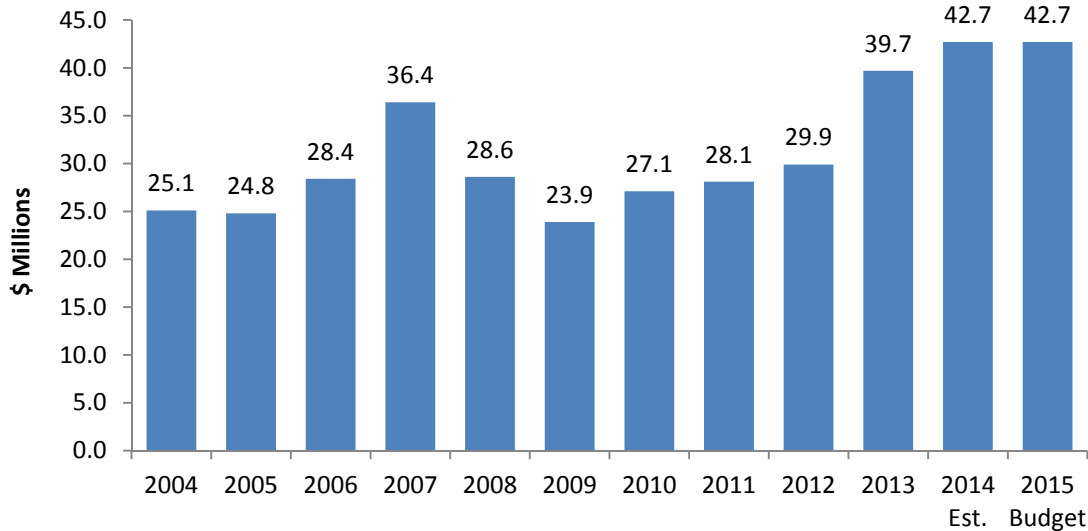


Figure 3

Unassigned General Fund Balance as a Percent of the General Fund Budget

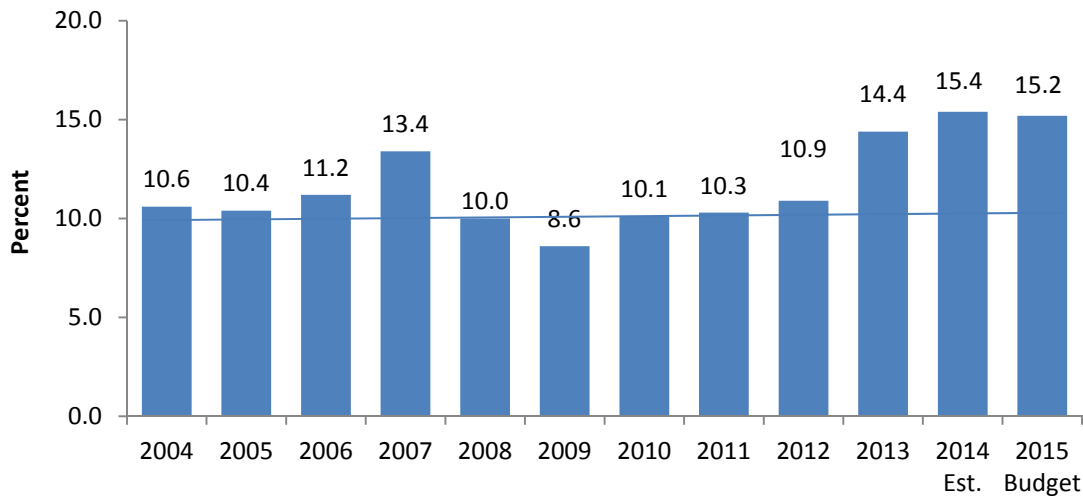


Figure 4

E. TAX RATES AND ASSESSED VALUATIONS

In 2015 the County's assessed valuation total will increase from \$71.5 billion to \$77.0 billion in 2015. This results from an assessed value increase of \$4.5 billion for existing property and a \$1 billion growth due to new construction.

Financial Overview

Percent Change in Assessed Valuation

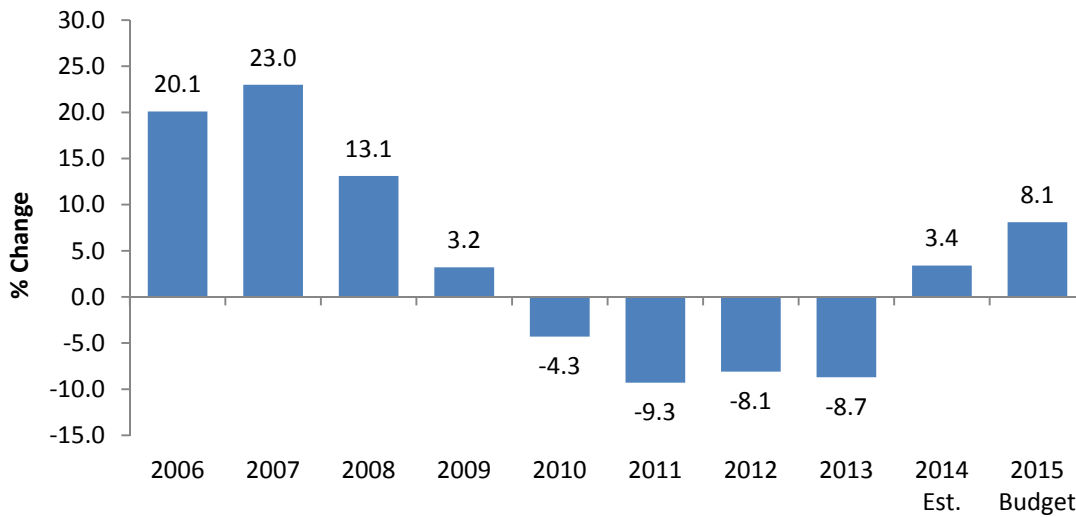


Figure 5

The rise in the valuation of existing property will result in tax rate decreases in 2015 as shown in the accompanying table. These rate changes enable the County to generate the legally permitted 1% growth in revenues. During the recession the County experienced a pattern of tax rate increases, due to large valuation decreases.

Only 11% of all property taxes go to the County's General Fund. Most of the property taxes are by law distributed to the State of Washington, cities, and local school districts.

PROPERTY TAX RATES		
	2014 Rates	2015 Rates
General Levy (\$1.80 max.):		
General Fund	1.4740	1.3889
Veterans Relief	0.0095	0.0113
Social Services	0.0211	0.0201
Total General Levy	1.5046	1.4203
Road Levy (\$2.25 max)		
	2.1202	1.9576

F. OUTLOOK FOR 2015

The outlook for 2015 shows a regional economy that should continue to experience growth throughout the year. Revenues associated with retail sales and construction will reflect growth in purchasing activities. However, short-term interest rates are also expected to remain at historically low levels. These conditions impact the resources available for program operations and capital projects.

Actions yet to be taken by other governments may impact the County budget. Many local governments who purchase services from the County are preparing budgets and may change prior practices. In addition, the state and federal governments may change grant allocations.

Overall, the General Fund budget for 2015 is balanced with adequate reserves.

Revenues that support the public works and utilities functions of the County are projected to be at levels sufficient to continue the service levels provided in 2014.

Financial Overview

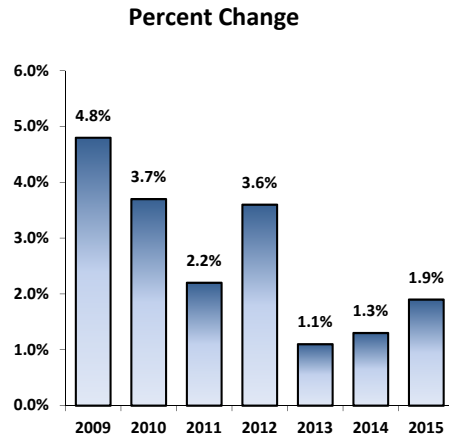
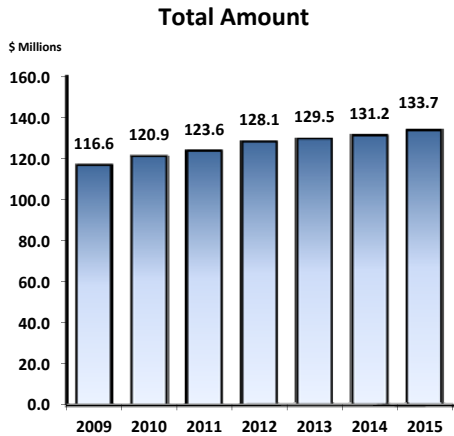
Similar to prior years, some budget issues may arise during 2015 that will need to be addressed at the time they occur. The County will continue to monitor interest rates and property values to determine if any significant variations will have an impact upon economic activity and tax collections. In addition, the County will track any changes in the use of contracted jail services to ensure that expenditures are aligned with available revenue.

Financial Overview

Historical Review of General Fund Revenues

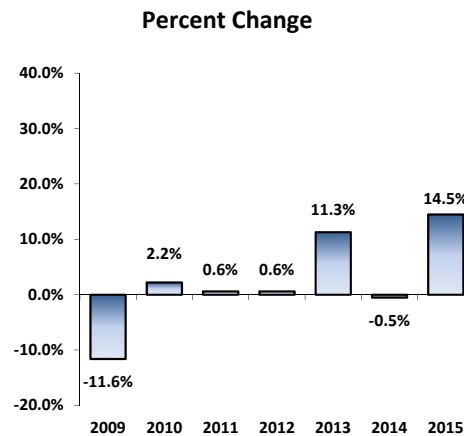
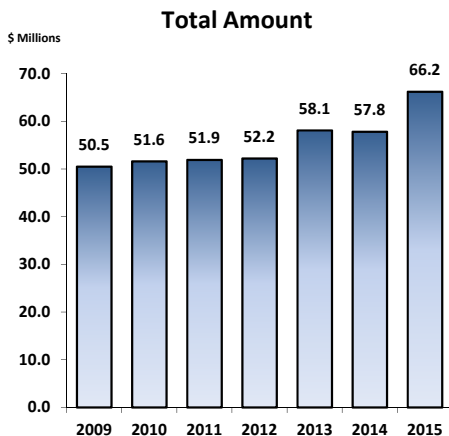
Property and Other Taxes

Property and Other Taxes is a major revenue source for the General Fund. Beginning in 2002, this revenue was impacted by the state law limit of a 1.0% increase for existing property. Revenue growth in excess of 1.0% is due to property taxes from new construction, or the settlement of large tax appeal cases.



Sales Taxes

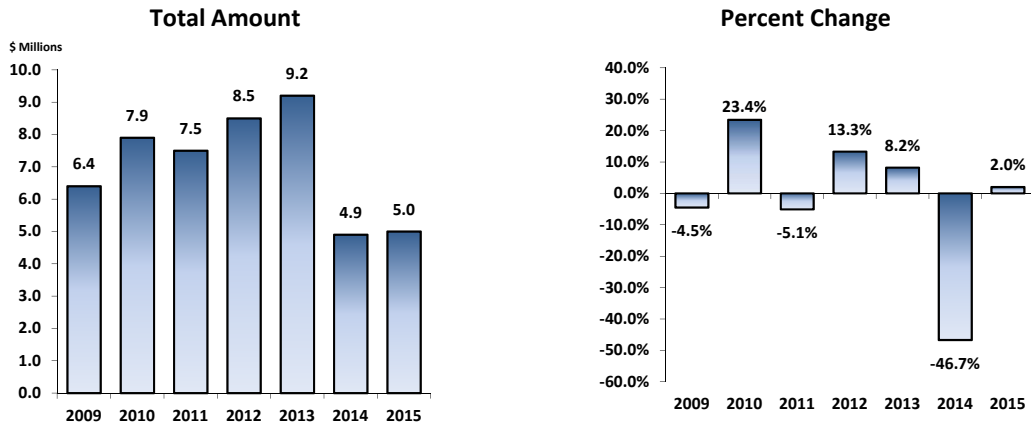
Sales Taxes often show large variances from year to year. Most "normal" years simply grow with inflation, population increases, and the strength of the economy. The 2014 budget for Sales Tax reflects improving collections that occurred in 2013.



Financial Overview

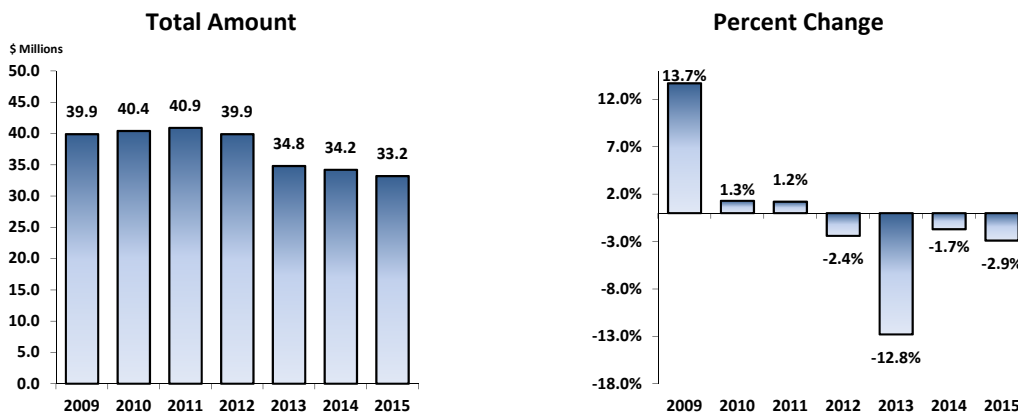
Licenses and Permits

Licenses and Permits have also shown sharp changes in revenue from year-to-year because of changes in development activity levels. The decrease in 2014 is largely due to establishment of a special revenue fund for building permit functions.



Intergovernmental

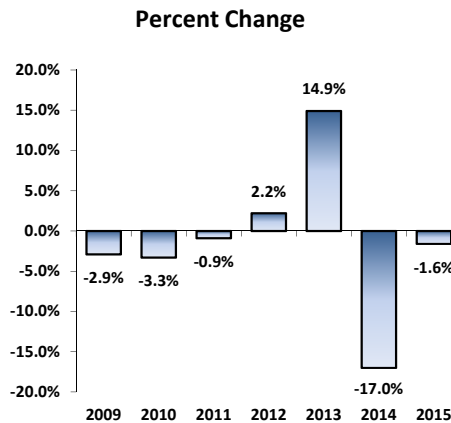
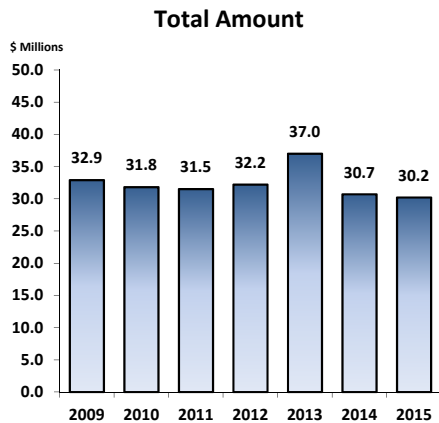
Intergovernmental revenues consist primarily of grants and city contracts for services. Fluctuation in grant funding is most often the primary cause for change in this revenue source. The increase in 2007 is related to state grants. Federal American Recovery and Reinvestment Act (ARRA) grants account for the increase in 2009, and a reduction in jail services drives the 2013 and 2014 change.



Financial Overview

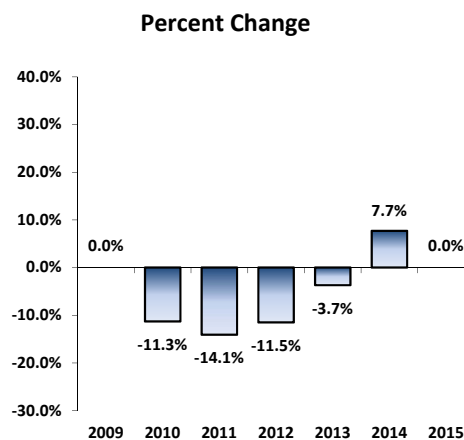
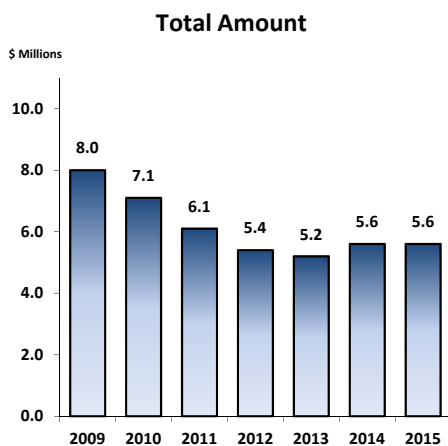
Charges for Service

Charges for Services have changed dramatically in the last several years due to a variety of reasons including growth in the local economy, the move of building and development fees to its own special revenue fund, and changes in recording fees, indirect cost charges, and elections cost reimbursements.



Fines and Forfeitures

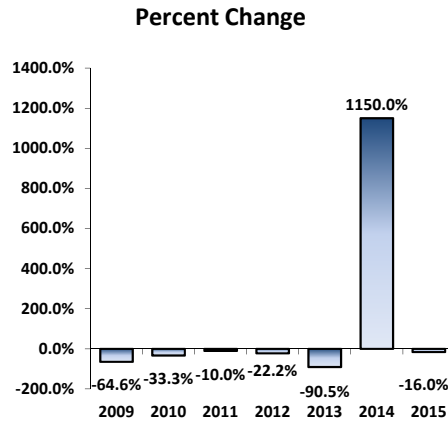
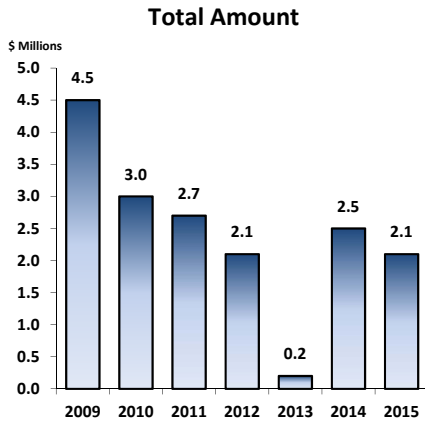
Fines and Forfeitures increase or decrease based upon the number of officers assigned to traffic policing, changes in state fine amounts, the use of collection agencies for delinquent accounts, and Narrows Bridge toll infractions. The 2010 and 2011 reductions reflect the state assuming the Narrows Bridge toll infraction process.



Financial Overview

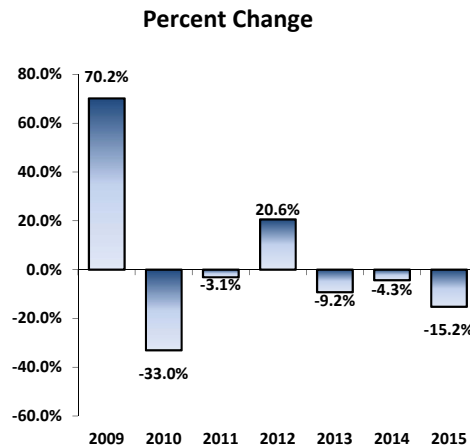
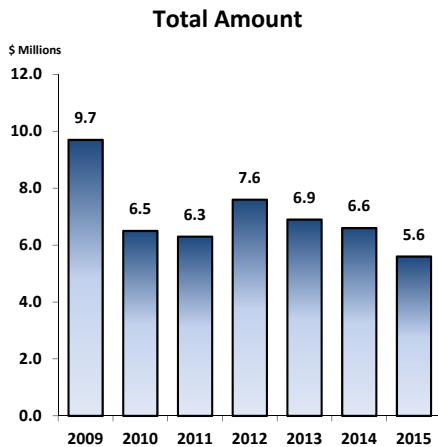
Interest Revenue

Interest revenue will vary depending upon interest rates and available cash balances. Available cash balances have decreased during the last few years, while interest rates have also decreased during this period.



Other Miscellaneous

Miscellaneous and Other Revenues can show a wide fluctuation from year-to-year since many of the items are unique, one-time, or very unpredictable. The major causes for wide swings during this period are sales of fixed assets and timber, and other fund transfers to support General Fund programs and special contributions.

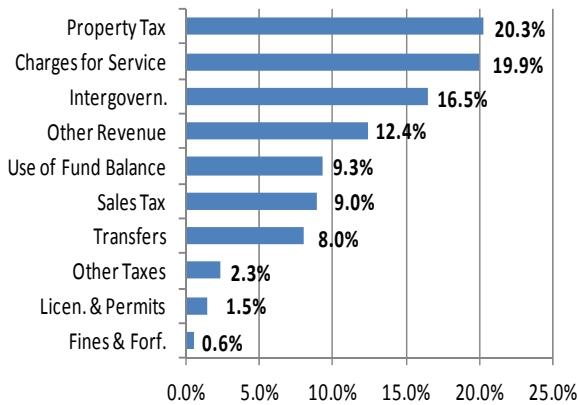


Financial Overview

2015 Total County

Total revenues and expenditures projected for all 2015 Pierce County operations are summarized and compared to prior years on the following pages and are also discussed throughout the Executive Message. In total, the County's budget is \$56.4 million less than the 2014 level.

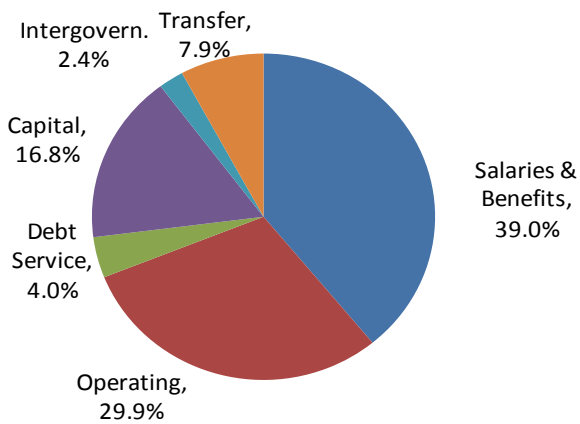
Revenues



Revenues

Nearly 17% of the County's funding comes from Intergovernmental Revenues. Property and Other Taxes equals roughly 23% of the total revenues. Service Charges, Licenses/Permits, and Fines/Forfeits provide approximately 22%. All Other Sources account for just over 12% while Use of Fund Balance is 9%. Approximately 12% is for miscellaneous revenue.

Expenditures

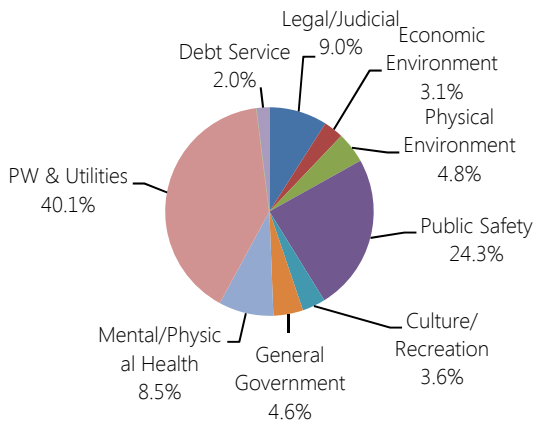


Expenditures

Approximately 39% of the County's total budget is allocated to personnel costs. All other operating costs consume roughly 40%. The remaining 21% is for capital purchases, construction, and debt service.

Financial Overview

Expenditures by Functions



Expenditures by Function

The Public Safety and Legal/Judicial Services combined accounts for roughly 33% of the total County expenditures, with the Mental and Physical Health system absorbing around 8%. Just under 45% of the total expenditures are invested in the support of Public Works and Utilities, and the Physical Environment. Nearly 4% is related to Culture and Recreation. Roughly 3% is expended for Economic Environment activity and nearly 7% supports General Government functions and debt service. The revenues for Internal Service Funds have been excluded from the totals used to calculate the percentages shown on the pie chart.

Financial Overview

OTHER COUNTY FUNDS

A great many of the County's programs are financed from sources outside of the General Fund. These funds have combined expenditures well in excess of the General Fund budget. However, the nature of the revenue sources mandate that these monies can only be used for specific activities. Hence, they are budgeted and accounted for in separate funds. Summary figures for each fund can be found in the Total Expenditures/Expenses table of the General Overview section.

A. COMMUNITY CONNECTIONS

Community Connections is the County's major provider of community and human services programs funded primarily from state and federal grants, and in recent years the new recording fees for housing programs. Due to changes in state and federal grant funding levels, these budgets often vary significantly from year to year. The following summarizes the major funds and the significant changes from the 2015 budgets:

1. Resources for the Community Connections Fund are anticipated to be similar to 2014.
2. Community Action shows an increase over 2014 and Community Development resources are anticipated to be similar to 2014.
3. The changes in the Homeless Housing, Housing Repair, and Low Income Housing programs reflect grant fluctuations and multi-year project expenditures.

COMMUNITY CONNECTIONS			
Fund	2014 Budget	2015 Budget	Percent Change
Community Action	\$ 7,492,150	\$ 7,708,240	2.9 %
Community Connections (HS)	29,919,280	28,115,940	(6.0)
Community Development	4,399,100	3,547,950	(19.3)
Homeless Housing Program	5,807,550	5,860,770	0.9
Housing Repair Program	8,620,410	9,566,340	11.0
Low Income Housing Fee	1,153,190	1,132,310	(1.8)

Recent funding from state and federal sources has not been sufficient to support prior service levels. As the economy improves state and federal agencies may have resources to restore reductions that were made during the recession. However, ongoing budget challenges could result in further adjustments.

B. TRANSPORTATION SERVICES

The Public Works and Utilities Department has major transportation responsibilities which are supported by seven funds.

The 2015 budgets, with comparisons to 2014, are shown in the table to the right.

The major items of note for 2015 are:

1. The County Road Fund continues 2014 programs and services into 2015.
2. The Public Works Construction Fund budget reflects anticipated project expenses.
3. The Ferry Services Fund reflects increases for dry docking and capital repairs.
4. The Airport Fund reflects decreases in capital projects.
5. Roads Second REET reflects increases in revenue.

TRANSPORTATION SERVICES FUNDS			
Fund	2014 Budget	2015 Budget	Percent Change
County Roads Fund	\$69,877,830	\$70,329,020	0.6 %
PW Construction Fund	21,057,000	21,300,000	1.2
Ferry Service Fund	5,474,245	9,476,330	73.1
Airport Fund	4,643,783	3,987,480	(14.1)
Roads Second REET	3,822,570	4,125,000	7.9
Traffic Impact Fee Fund	7,151,700	4,364,000	(39.0)
Transportation Facilities	2,491,100	2,218,000	(11.0)

Financial Overview

C. PARKS AND RECREATION FUNDS

Although the County's General Fund provides a direct allocation for parks and recreation services, \$7.0 million in 2015, there are also several other County funds which provide parks and recreation services or which construct, repair, or enhance parks and recreation facilities. The 2015 budgets for these funds are shown to the right.

As the figures indicate most of these funds are increasing from the 2014 level. The large increase in Conservation Futures and Parks Construction will result in increased land purchases and improvement projects.

PARK FUNDS			
Fund	2014 Budget	2015 Budget	Percent Change
Conservation Futures	\$ 5,319,823	\$ 5,395,170	1.4 %
Conservation Futures Const	2,902,883	3,356,500	15.6
Parks Impact Fees	750,070	624,710	(16.7)
Parks Sales Tax	2,799,600	3,463,170	23.7
Parks Second REET	1,078,480	1,375,380	27.5
Paths & Trails	328,070	449,000	36.9
Paths & Trails Const	687,510	872,890	27.0
Parks Construction Fund	1,720,180	1,225,280	(28.8)
Golf Courses	1,931,260	2,029,640	5.1
Chambers Crk Regionl Park	9,803,440	11,796,620	20.3

D. ENVIRONMENTAL SERVICES

The County Public Works and Utilities Department has five funds which address environmental issues. These funds and budgets are listed below:

1. Surface Water Management includes allocations for capital expenditures and operations.
2. The Sewer Utility budget reflects large capital project allocations, including the Wastewater Treatment Plant project.
3. The Solid Waste budget includes monies for post-closure expenses, the Pierce County Responds program, and public information programs for recycling and yard waste/composting activities.

ENVIRONMENTAL SERVICES FUNDS			
Fund	2014 Budget	2015 Budget	Percent Change
Surface Water Mgmnt	\$22,112,860	\$21,745,900	(1.7) %
Surface Water Mgmnt Const	12,928,821	27,543,827	113.0
Sewer Utility	228,661,010	180,461,220	(21.1)
Solid Waste	6,140,370	5,827,380	(5.1)

E. INTERNAL SERVICE FUNDS

Internal Service Funds provide services, supplies, and equipment to other County departments, which pay for these services through various billing systems. These funds operate under the enterprise fund business model, except that customers are other County departments. The goal is to establish rates which will pay all operating and capital costs and to ensure that the General Fund does not subsidize these activities.

INTERNAL SERVICE FUNDS			
Fund	2014 Budget	2015 Budget	Percent Change
Equipment Services	\$17,310,780	\$14,828,520	(14.3) %
Information Technology	28,352,120	29,011,390	2.3
Facilities Management	14,279,720	14,636,830	2.5
Radio Communications	8,575,610	6,997,480	(18.4)
Fleet Rental	4,444,600	5,257,560	18.3
General Services	2,894,380	3,012,510	4.1
Self Insurance	9,709,780	9,647,320	(0.6)
Workers Comp	6,285,210	6,277,870	(0.1)
Medical Self Insurance	15,629,930	16,159,220	3.4

Some of these internal service funds will rely upon prior fund balances in order to support their 2015 budgets. The decrease in Radio Communications is associated with improvements made in 2014 to emergency communication systems that will not carry forward into 2015.

Financial Overview

All Funds Comparisons

The table below presents a comprehensive view of resources and services provided by fund type. The Executive Message, in the front of this document, includes highlights of the various budgets within each of these fund types. The individual budget sections, found later in this document, provide additional detail as well. Refer to the Total Expenditures/Expenses summary table in the back of this section for a detailed list of the funds by fund type.

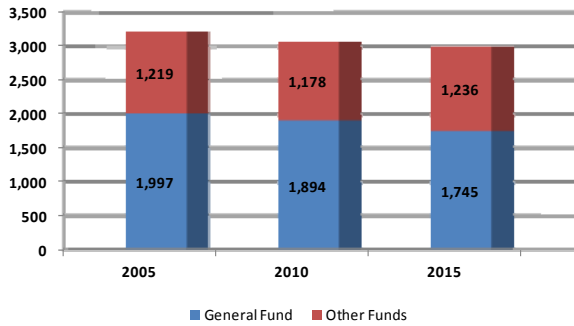
Internal Services are those services provided to County departments, such as information technology, telecommunications, self insurance, vehicle and equipment pools, facilities maintenance, routing, and mail processing. The revenues to these Internal Service Funds are expenditures for the other funds receiving their services. Therefore, to obtain a net total budget for the County as a whole, we must remove the budget for the Internal Services (less fund balance and any revenues from non-County sources). The “netted” 2015 budget for Pierce County is \$832,014,662 (total budget of \$928,694,642 less Internal Service Funds of \$105,828,700 plus \$800,100 in Intergovernmental Revenue from non-County sources and \$8,348,620 in Internal Service Funds use of fund balance).

ALL FUNDS COMPARISON OF 2015 REVENUES AND EXPENDITURES

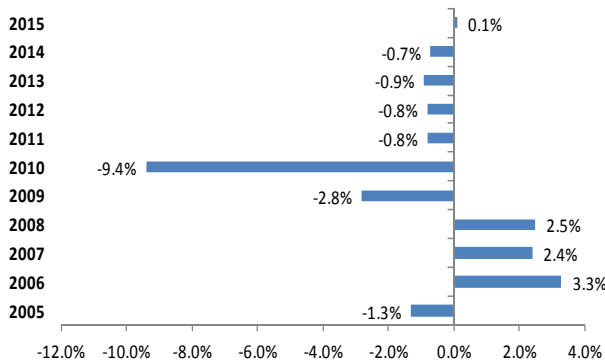
	General Fund	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Enterprise Funds	Internal Service Funds	Tacoma/Pierce County Health Dept	Total All Fund Types
Revenues/Other Financing Sources:								
Charges For Services	\$ 30,190,210	\$ 37,777,500	\$ —	\$ 602,000	\$ 73,000,310	\$ 36,367,190	\$ 7,271,271	\$185,208,481
Contributed Capital	—	—	—	—	6,010,450	—	—	6,010,450
Fines and Forfeitures	5,599,070	10,000	—	—	—	—	—	5,609,070
Intergovernmental Rev	33,245,700	67,635,890	—	28,675,340	6,972,020	800,100	15,882,100	153,211,150
Licenses and Permits	5,011,580	4,070,570	—	—	—	—	4,732,249	13,814,399
Other Financing Sources	—	190	—	—	1,779,930	—	—	1,780,120
Other Miscellaneous Rev	4,540,680	3,039,480	—	50,000	39,017,070	59,051,690	1,377,139	107,076,059
Other Taxes	1,564,040	15,665,450	—	4,172,700	330,000	—	—	21,732,190
Property Taxes	132,171,120	57,970,830	—	—	—	—	—	190,141,950
Sales Taxes	66,248,900	16,999,710	—	—	—	—	—	83,248,610
Transfer In	3,191,700	3,410,360	17,756,650	22,668,910	25,967,660	1,261,100	—	74,256,380
Use of Fund Balance	—	11,686,940	—	4,820,207	60,501,230	8,348,620	1,248,786	86,605,783
Total Revenues	\$281,763,000	\$218,266,920	\$ 17,756,650	\$ 60,989,157	\$213,578,670	\$105,828,700	\$ 30,511,545	\$928,694,642
Expenditures/Expenses:								
Cultural & Recreation	\$ 7,409,350	\$ 8,422,270	\$ —	\$ 5,673,770	\$ 13,826,260	\$ —	\$ —	\$ 35,331,650
Debt Service	—	—	17,756,650	—	—	—	—	17,756,650
Economic Environment	6,065,600	31,143,220	—	—	—	—	—	37,208,820
General Government	37,604,530	2,666,620	—	1,756,590	—	—	—	42,027,740
Internal Service	—	—	—	—	—	105,828,700	—	105,828,700
Legal & Judicial	81,117,140	1,674,120	—	50,000	—	—	—	82,841,260
Mental/Physical Health	3,087,170	36,871,630	—	1,637,640	—	—	30,511,545	72,107,985
Physical Environment	1,944,650	28,127,250	—	27,543,827	—	—	—	57,615,727
Public Safety	144,534,560	30,543,790	—	809,330	—	—	—	175,887,680
Public Works & Utilities	—	78,818,020	—	23,518,000	199,752,410	—	—	302,088,430
Total Expenditures	\$281,763,000	\$218,266,920	\$ 17,756,650	\$ 60,989,157	\$213,578,670	\$105,828,700	\$ 30,511,545	\$928,694,642

Financial Overview

Staffing



Percent Change



Countywide Staffing

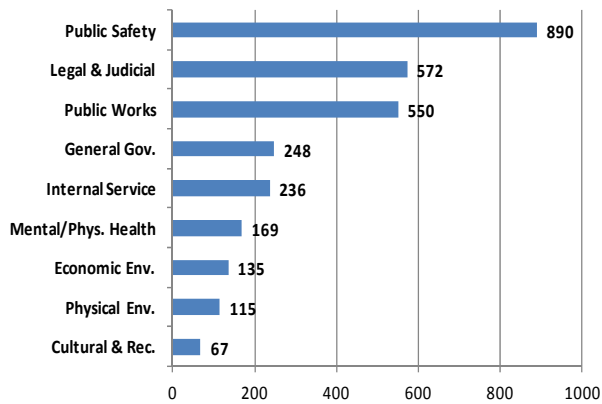
Reflecting the recent recession, General Fund staffing (authorized positions) has decreased by 252 FTEs (12.6%) since 2005 while staffing in all other funds (special revenue, enterprise, and internal services) has increased by 17 FTEs (1.4%). Overall, 235 FTEs have been reduced since 2005, a decrease of 7.3%. More recently however, General Fund positions have decreased by 311 FTEs (15.1%) since 2009 and overall the County has seen a reduction of 410 FTEs or 12.1% in the last six years.

The percentage change in 2005 includes the decline of positions in the Sheriff's Department that resulted from the decision of the City of Lakewood to no longer contract with the County for police services.

- The Sheriff's contract with the City of Lakewood for police services was terminated at the end of 2004, which resulted in a loss of 103 positions in the Sheriff's Department in 2005.
- The 2006-2008 staffing levels grew as positions were added to respond to changes in service levels across the County.
- In response to the significant decline in revenues caused by the recession, staffing reductions continued through 2013. The 2010 staffing level includes a reduction of 154 FTEs associated with the termination of the state contract with the County for mental health services.
- The 2014 reduction mostly reflects the loss of revenue from the City of Tacoma not placing misdemeanor inmates in the County jail and contracting for jail medical services. Some functions received increased staffing.
- Total 2015 staffing is essentially at the same levels as 2014.

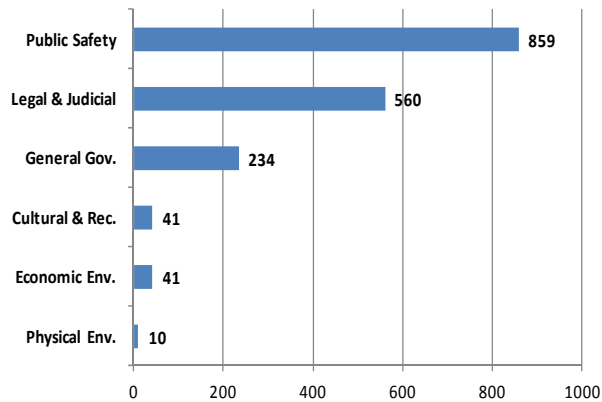
Financial Overview

Staffing



Total Staffing by Function

The Public Safety and Legal/Judicial systems combined account for 49% of the total County staff, with the Mental and Physical Health system at around 6%. Roughly 22% of total staff provide Public Works and Utilities and Physical Environment services. Just over 2% of the total staff are related to Culture and Recreation. Nearly 5% are involved in Economic Environment activity and roughly 16% of the staff provide general government functions (including internal service funds).



The Public Safety and Legal/Judicial systems combined account for 81% of all General Fund staff. Nearly 14% provide General Governmental services. Roughly 2% of General Fund staff support Economic Environment activities and 2% are involved in Culture and Recreation, and Physical Environment activities.

The table on the following two pages contains detailed staffing information.

2015 Changes

Overall, the County increased 4.0 FTEs in 2015. The General Fund increased by 1.6 FTEs.

In the General Fund, the County added 19.99 new FTEs in 2015 in the Corrections Bureau, District Court, Medical Examiner, Sheriff, Superior Court and other General Fund Departments. Other departments reflected decreases mostly due to eliminating unbudgeted vacant positions carried over since recessionary reductions.

Financial Overview

STAFFING SUMMARY									
	2005	2009	2010	2011	2012	2013	2014	2015	Change
	FTE	FTE	FTE	FTE	FTE	FTE	FTE	FTE	from
									2014
General Fund									
Assessor/Treasurer	90.60	86.35	76.70	76.70	76.70	76.70	76.70	73.70	(3.00)
Assigned Counsel	89.30	99.10	92.50	92.30	92.30	94.30	94.80	94.80	—
Auditor	45.00	50.30	50.05	42.55	43.80	44.05	45.30	45.55	0.25
Budget & Finance	44.15	41.00	38.17	38.37	37.52	36.62	36.36	37.36	1.00
Clerk of the Superior Court	57.00	53.50	49.50	50.00	48.00	48.00	48.00	48.00	—
Communications	5.00	3.00	2.65	2.58	3.00	2.88	3.88	3.88	—
Corrections Bureau	375.70	393.00	373.40	380.90	373.90	364.90	298.90	305.90	7.00
County Council	29.00	28.00	29.00	27.91	28.60	28.60	28.60	28.60	—
County Executive	8.00	10.00	8.60	9.08	8.89	8.45	8.55	8.55	—
District Court	109.50	109.00	105.50	104.50	102.00	99.50	99.50	103.00	3.50
Economic Development	7.00	7.00	7.00	7.00	7.00	8.00	7.50	7.50	—
Emergency Management	28.00	31.00	31.00	29.00	29.00	28.00	29.00	28.00	(1.00)
Human Resources	27.60	24.17	20.75	20.80	21.30	21.30	22.80	22.80	—
Juvenile	173.12	191.82	181.57	170.82	157.76	148.92	150.52	152.02	1.50
Medical Examiner	14.50	15.00	15.00	15.50	16.00	17.00	16.00	17.00	1.00
Parks & Recreation Services	43.05	38.90	35.28	35.60	37.70	38.05	41.10	41.38	0.28
Planning & Land Services	150.62	134.80	89.60	82.60	76.25	84.25	43.29	32.90	(10.39)
Prevention Services & Programs	—	—	—	0.18	0.64	1.05	0.46	0.92	0.46
Prosecuting Attorney	228.50	234.70	221.70	217.70	218.70	216.70	219.00	215.00	(4.00)
Public Defense Conflict Office	—	5.60	—	—	—	—	—	—	—
Sheriff	364.00	389.00	361.00	372.50	373.00	362.00	367.00	370.00	3.00
Special Projects	11.00	11.80	9.95	7.99	7.35	7.91	7.81	7.81	—
Superior Court	92.88	95.38	96.38	96.38	97.38	98.38	98.38	100.38	2.00
WSU PC Extension	3.60	3.57	—	—	—	—	—	—	—
Total General Fund	1,997.12	2,055.99	1,895.30	1,880.96	1,856.79	1,835.56	1,743.45	1,745.05	1.60
Special Revenue Funds									
Arts & Cultural Services	1.59	0.30	0.50	0.05	—	—	—	—	—
Auditor's Maint & Operation	0.50	7.20	7.20	5.70	5.52	5.27	5.02	4.77	(0.25)
Community Action	49.77	51.89	50.13	50.65	50.54	49.49	52.09	46.29	(5.80)
Community Connections	224.47	145.49	142.65	140.59	131.27	115.32	121.64	117.94	(3.70)
Community Development	11.31	11.45	10.80	9.60	5.76	6.07	6.53	8.53	2.00
Conservation Futures	1.00	3.15	4.15	4.15	4.50	4.80	4.80	5.65	0.85
County Road	337.33	371.90	345.44	336.05	334.61	341.76	343.40	344.42	1.02
Criminal Justice	2.00	3.00	5.00	2.00	6.50	5.90	5.00	3.00	(2.00)
Detention Ctr Commissary	3.00	1.00	2.00	3.00	3.00	3.00	3.00	3.00	—
Drug Investigation	4.00	6.00	2.00	—	—	1.00	1.00	1.00	—
Emergency Mgmt Grants	12.88	15.00	16.00	16.00	17.00	17.00	18.00	17.00	(1.00)
Judson Family Justice Ctr	1.50	9.70	8.40	9.40	8.50	8.33	7.40	7.50	0.10
Geographical Info Services	17.00	23.00	20.00	20.00	—	—	—	—	—
Homeless Housing	—	4.25	5.00	6.97	6.04	2.29	3.63	1.10	(2.53)
Housing Repair Program	12.00	10.86	10.01	10.41	12.17	16.22	16.83	14.99	(1.84)
Low Income Housing Fee	—	—	—	—	0.73	1.04	0.94	0.85	(0.09)

(Table continued on the following page)

Financial Overview

STAFFING SUMMARY

	2005	2009	2010	2011	2012	2013	2014	2015	Change from 2014
	FTE	FTE	FTE	FTE	FTE	FTE	FTE	FTE	
Mental Health	—	153.61	—	—	—	—	—	—	—
PALS Building and Dev	—	—	—	—	—	—	59.24	68.63	9.39
Park Impact Fees	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	—
Parks Sales Tax	3.00	5.85	6.25	6.85	7.25	7.10	7.10	6.87	(0.23)
Paths and Trails	1.02	2.87	2.64	1.95	2.15	1.45	1.45	2.85	1.40
Puget Sound Behavioral Hlth	97.86	—	—	—	—	—	—	—	—
Rainier Communications Comm	6.00	7.00	7.35	7.44	7.00	7.12	7.12	7.12	—
REET River	1.57	1.51	1.51	1.11	1.11	—	—	—	—
Second REET Parks	1.15	1.20	1.75	0.95	0.95	1.00	1.00	1.00	—
Surface Water Mgmt	55.27	67.70	94.45	100.68	100.31	93.96	89.86	87.06	(2.80)
Tourism, Promotion & Cap Fac	—	—	—	0.08	—	—	—	—	—
Veterans Relief	3.00	3.00	3.00	3.00	3.00	4.00	4.00	4.00	—
911 System	4.00	4.46	4.46	4.46	4.46	4.46	4.46	4.46	—
Total Special Revenue Funds	851.27	911.44	750.74	741.14	712.42	696.63	763.56	758.08	(5.48)
Capital Projects									
Administration Building Lease	—	—	—	—	—	—	1.50	2.15	0.65
Permanent Jail Construction	0.50	2.95	2.70	0.79	—	—	—	—	—
REET Capital Improvement	2.85	3.95	5.10	7.81	6.70	5.90	7.40	6.75	(0.65)
1% for Arts Construction	0.10	0.50	0.50	0.50	—	—	—	—	—
2501 Corporate Express Bldg	1.29	—	—	—	—	—	—	—	—
Surface Water Mgmt Const	—	—	—	—	—	12.86	12.04	13.04	1.00
Total Capital Projects	4.74	7.40	8.30	9.10	6.70	18.76	20.94	21.94	1.00
Enterprise Funds									
Airport	1.60	4.77	6.27	6.39	5.74	6.38	3.22	4.02	0.80
Chambers Creek Regional Park	0.80	0.50	0.61	0.52	7.40	7.75	7.75	7.75	—
Golf Courses	8.78	9.03	9.03	7.90	7.80	7.55	7.00	7.00	—
PC Ferry Services	1.89	2.92	4.13	3.38	2.34	1.80	3.96	4.24	0.28
Sewer Utility	118.39	149.09	160.98	164.72	165.03	171.18	175.14	179.00	3.86
Solid Waste Mgmt	16.02	18.72	22.62	22.16	22.34	18.58	18.60	18.58	(0.02)
Water Utility	0.09	1.10	1.10	1.10	1.10	—	—	—	—
Total Enterprise Funds	147.57	186.13	204.74	206.17	211.75	213.24	215.67	220.59	4.92
Internal Service Funds									
Equipment Rental & Revolving	24.46	27.30	27.30	26.32	26.28	27.28	27.28	27.24	(0.04)
Facilities Management	52.21	56.30	48.25	47.45	48.84	45.64	45.64	45.64	—
Fleet Rental	3.45	3.40	3.40	3.40	3.40	3.40	3.40	3.40	—
General Services	8.20	8.80	7.80	6.80	7.80	7.80	7.80	7.80	—
Information Technology	111.00	115.50	107.50	106.25	126.68	126.48	127.56	130.56	3.00
Radio Communication	7.00	9.54	9.54	9.54	11.54	11.54	11.54	10.54	(1.00)
Self Insurance	6.30	6.38	7.00	7.15	7.75	8.15	6.20	5.80	(0.40)
Workers Compensation	2.70	2.75	2.75	2.55	2.55	2.15	2.60	2.80	0.20
Medical Self Insurance	—	—	—	—	0.40	0.40	1.60	1.80	0.20
Total Internal Service Funds	215.32	229.97	213.54	209.46	235.24	232.84	233.62	235.58	1.96
Total Funds	3,216.02	3,390.93	3,072.62	3,046.83	3,022.90	2,997.03	2,977.24	2,981.24	4.00

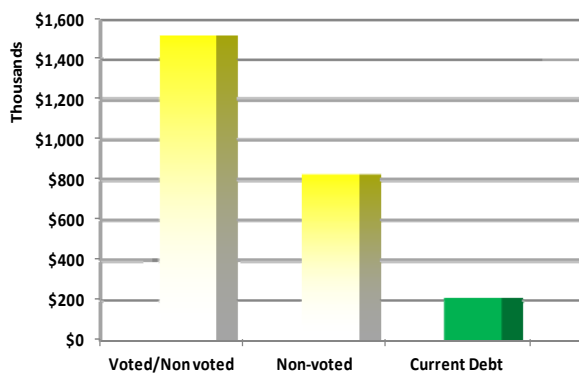
Financial Overview

Debt Management

The County's outstanding debt includes General Obligation (GO) bonds, Revenue Bonds, and Public Works Trust Fund Loans.

Debt Limit & Carrying Capacity

Under Washington State Law, a county may issue general obligation debt for general county purposes in an amount not to exceed 2.5% of all actual value of all taxable property. Unlimited tax debt requires an approving vote of the people, and any election to validate General Obligation Debt must have a voter turnout of at least 40% of those who voted in the last state general election, and 60% of those voting must be in the affirmative. The County Council may, by ordinance, authorize the issuance of Limited Tax General Obligation Debt (LTGO) in an amount up to 1.5% of the actual valuation within the County without a vote of the people. No combination of limited or unlimited tax debt may exceed 2.5% of the actual valuation. The debt service on unlimited tax debt is secured by excess tax levies, whereas the debt service on limited tax debt is secured by taxes collected within the \$1.80 per \$1,000 of assessed value County operating levy.



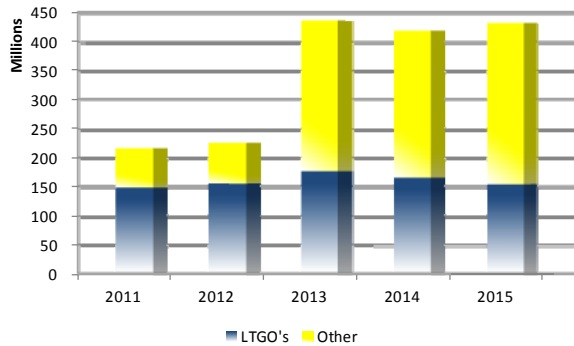
As indicated by the chart at the left, the County has a significant debt issuance capacity for both limited and unlimited debt. The County's non-voted capacity is \$824 million while the voted/non-voted capacity is \$1.5 billion. The County currently has no voter approved debt outstanding.

Pierce County has historically maintained consistently low bonded debt obligations. The Net Bonded Debt per Capita decreased in 2011 due to the retirement of \$6.7 million in debt. The Ratio of Bonded Debt to Assessed Valuation is still well below national averages. Consequently, the County has both a large legal margin available, and an existing debt structure that does not have a major negative impact upon the annual budget.

Financial Overview

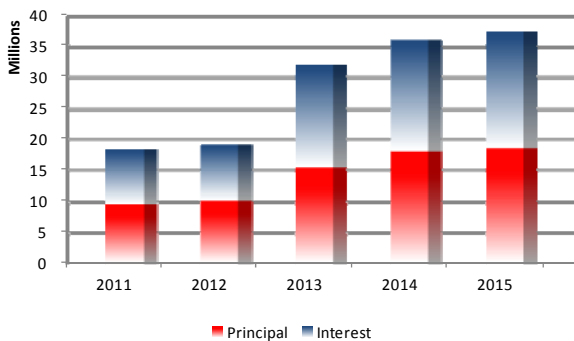
Debt History

Historically, Pierce County has maintained a low outstanding principal balance. The County's outstanding principal history since 2011 is displayed in the graph to the left. In 2011, total outstanding debt was \$216 million. Of that, \$147 million was general obligation debt. In 2010, \$60 million in revenue bonds were issued for the expansion of the Sewer Treatment Plant, and an additional \$196 million in revenue bonds were issued in 2012. In 2013, the County also issued \$31 million in LTGOs for expansion of the South Sound 911 System and for remodeling of the Sheriff's Parkland Precinct and an additional \$32.5 million in revenue bonds for the expansion of the Sewer Treatment Plant in 2014. Other debt includes Public Works Trust Fund (P WTF) loans for road improvements, Ferry Services improvements, and for the County's Chambers Bay Golf Course.



Debt Payments

The amount of debt payments scheduled for 2015 is \$37 million. The County's total annual debt payments (excluding refunding) since 2011 are displayed in the graph to the left. Principal and interest payments increased in 2013 and 2014 from debt issued for the Sewer Treatment Plant, South Sound 911, and the Parkland Precinct.

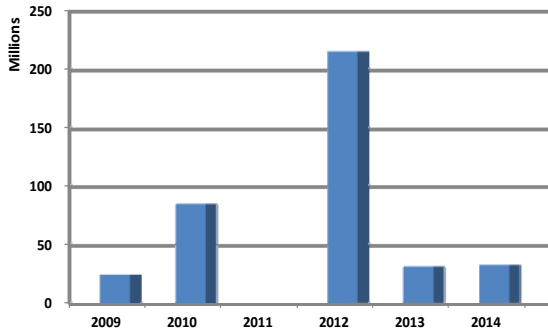


Future Debt Plans

The Sewer Treatment Plant may need to issue additional debt to complete major improvements to meet demands on the system.

Financial Overview

Debt Issued By Year



In 2009, the County issued debt for Road improvements. Debt issued in 2010 was for Road improvements and for Sewer Treatment Plant expansion.

In 2012, the County issued debt for Sewer Plant expansion, Emergency Communication equipment, and Road improvements.

In 2013, the County issued debt for South Sound 911 and for the Parkland Precinct. In 2014, revenue bonds were issued for Sewer Plant expansion.

2015 Outstanding Debt Obligations

The table below shows the amount of debt outstanding at the beginning of the year, anticipated debt retirement and new planned debt, and the projected debt position of the County on December 31, 2015.

Outstanding Debt, 1-1-15 to 12-31-15 (thousands)				
	Jan-15 Balance	Retired Debt	New Debt	Dec-15 Balance
General Obligation Debt				
Sewer Improvements	165	55	—	110
County Building Renovations	24,925	1,925	—	23,000
Con. Futures Open Space	21,635	1,435	—	20,200
Road Improvements	58,590	3,335	—	55,255
Emergency Comm. Systems	12,825	1,350	—	11,475
South Sound 911	26,855	2,555	—	24,300
Parkland Precinct	1,990	200	—	1,790
Chambers Bay Golf Course	17,565	545	—	17,020
Total GO Bonds	164,550	11,400	—	153,150
Revenue Bonds				
Sewer Improvements	276,605	6,175	—	270,430
Public Works Trust Fund Loans				
Road Improvements	5,428	374	—	5,054
Sewer Improvements	1,125	126	—	999
Ferry System	4,154	378	—	3,776
Total PWTF	10,707	878	—	9,829
Total County Debt	451,862	18,453	—	433,409

As shown in the table, General Obligation principal will be reduced by \$11.4 million, Revenue Bonds by \$5.6 million, and Public Works Trust Fund Loans by \$900,000. Public Works Trust Fund Loans are issued by the State of Washington at very favorable interest rates.

Most of the debt obligations are paid by dedicated revenue streams. The General Fund pays debt service for the County City Building renovations and Parkland Precinct.

Financial Overview

Budget in Brief

BUDGET IN BRIEF

Revenues By Source (millions)

	2011	2012	2013	2014	2015
	Actuals	Actuals	Actuals	Budget	Budget
Property Tax	175.0	180.9	190.1	186.2	190.1
Sales Tax	55.0	56.2	66.2	73.8	83.2
Other Taxes	16.7	17.5	21.0	19.6	21.7
Charges for Service	146.9	160.2	175.1	177.4	185.2
Fines & Forfeitures	6.1	5.4	5.2	5.7	5.6
Licenses & Permits	11.6	12.4	13.9	13.9	13.8
Intergovernmental	117.8	150.5	148.5	139.4	153.2
Transfers In		79.3	73.2	80.6	74.3
Other Revenue	112.1	94.3	121.4	135.9	114.9
Use of Fund Balance	74.8	1.6	(2.6)	152.7	86.6
Total Revenue	716.0	758.5	811.9	985.1	928.7

Expenditures by Object Code (millions)

	2011	2012	2013	2014	2015
	Actuals	Actuals	Actuals	Budget	Budget
Salaries & Benefits	322.8	330.5	329.8	352.8	362.5
Supplies & Services	279.0	254.1	253.0	263.5	277.8
Debt Service	32.2	20.4	29.1	36.1	37.5
Capital Expenditures	65.6	58.8	106.1	205.1	155.7
Intergovernmental	16.4	15.4	20.7	22.2	21.9
Transfer Out		79.3	73.2	105.4	73.2
Total Expenditures	716.0	758.5	811.9	985.1	928.7

Expenditures by Function (millions)

	2011	2012	2013	2014	2015
	Actuals	Actuals	Actuals	Budget	Budget
General Government	37.6	38.6	38.4	41.9	42.0
Public Safety	156.4	169.2	185.6	205.5	175.9
Physical Environment	33.3	36.1	35.3	42.3	57.6
Legal & Judicial	77.2	74.9	74.8	79.2	82.8
Economic Environment	28.4	28.5	32.3	36.4	37.2
Mental/Physical Health	78.8	76.7	76.1	73.3	72.1
Cultural & Recreation	26.7	32.4	25.8	31.7	35.3
Debt Service	12.7	12.7	14.0	17.9	17.8
Public Works & Utilities	186.0	197.8	244.5	349.4	302.1
Internal Service	78.9	91.4	85.0	107.5	105.8
Total Expenditures	716.0	758.5	811.9	985.1	928.7